BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Club for Growth, Inc.	)	MUR 5365
Club for Growth, Inc. PAC	)	
Pat Toomey, in his official	)	
capacity as Treasurer	)	

**OPPOSITION OF THE CLUB FOR GROWTH, INC.,
CLUB FOR GROWTH INC. PAC, AND PAT TOOMEY, IN HIS
OFFICIAL CAPACITY AS TREASURER,
TO THE GENERAL COUNSEL'S BRIEF**

APPENDIX

Carol A. Laham
Thomas W. Kirby

WILEY REIN & FIELDING LLP
1776 K Street, N.W.
Washington, D.C. 20006
(202) 719-7000

May 31, 2005

APPENDIX A

Only two entities are the subject of this action. First, Club for Growth, Inc. is a 527 membership organization. Second, Club for Growth, Inc. PAC is the Separate Segregated Fund of the Club for Growth, Inc. Citizens Club for Growth is a bank account of the Club for Growth. Citizens Club has consisted only of personal funds from individuals. It does not have a separate legal existence.

The remaining entities have no connection to this matter. Specifically, Club for Growth.net is an unincorporated 527 association/organization and is controlled directly by its members. Club for Growth.net is not a party to this action.

Club for Growth State Action, Inc. is a 501 (c)(4) organization meant to serve primarily as a clearinghouse for state organizations that advocate pro-growth policies for state and local governments. The so-called Club for Growth State Affiliates are all independent entities that have either formally or informally licensed the Club for Growth name through Club for Growth State Action and the state organizations have different structures and tax status depending on state laws.

Club for Growth State Action and Club for Growth.net have informally licensed the Club for Growth name.

Club for Growth Advocacy may not still exist and in any event, The Club for Growth has no control over Club for Growth Advocacy. Club for Growth Advocacy was initially created as a 501 (c)(4). The Club for Growth believes that Club for Growth Advocacy either has changed its name to the Free Enterprise Fund or is doing business under that name. To the Club's knowledge, the Free Enterprise Fund shares no common directors with the Club for Growth or Club for Growth State Action and it does not have authorization to use the Club for Growth name.

APPENDIX B

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APPENDIX C
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APPENDIX D

VARIOUS PRESS APPEARANCES, SPEECHES, AND POLICY MEETINGS BY STEPHEN MOORE FROM 2002 THROUGH 2004

VARIOUS PRESS APPEARANCES BY DAVID KEATING FROM 2001 THROUGH 2005

VARIOUS PRESS APPEARANCES, SPEECHES, AND POLICY MEETINGS BY STEPHEN MOORE FROM 2002 THROUGH 2004[1]

April 2002

10th	Ken Bagwell Show Radio interview
19th	KSFO Radio interview
25th	KCNN radio show
	KRLA radio interview w/ Larry Moreno
29th	Call w/ Latin Opinions
	Dinner w/ Heritage Foundation
30th	entire day on Wall Street Review

May 2002

1st	KSFO radio interview- Lee Rogers
2nd	Dinner Speech
3rd	Cato and Chuck Harder Radio Show
6th	Greg Garrison Radio Show
	LA Times Interview with Sally Hooks
7th	Jason Lewis Show KSTP
	Taylor Smith and American Skandia Speech
	Birmingham, AL
8th	Florida – American Skandia Policy Speech
9th	AM American Skandia Jackson Mississippi Policy Speech
	Dinner Washington Hilton Ball room to honor Milton Friedman
14th	Small Business Conference at Hay Adams Hotel 4 hours
21st	Saddlebrook, NJ Am. Skandia Policy Speech
22nd	Wichita, KS Skandia Policy Speech
29th	KSFO Lee Rogers Radio Show SF, CA

June 2002

7th	Bloomberg News
	CNN taping at office
13th	Press conference
21st	Young America's Foundation
	American Association of Small property Owners
24th	Georgia Trucking Association economic policy speech
25th	San Francisco Economic meetings Milton Friedman
26th	Milton Friedman and Dr. Arthur Laffer meeting

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[1] These lists are not complete, but include all of the information that the Club could ascertain at this time.

July 2002

26th New Orleans and Biloxi, MS Am. Skandia economic conferences

August 2002

6th KXEM Radio interview Phoenix, AZ
12th Christian Science Monitor
13th NY- Bill Moyer TV Show
18th American Conservative Union Boot camp
26th Reuters interview w John Whitesicle
27th Tax project w/ Williams and Jenson
28th O'Reilly Factor
30th KSFO Radio Lee Rogers show SF, CA

September 2002

16th CNN taping
19th Laffer Conference
20th Laffer Conference
25th American Conservative Union speech
30th Cato Luncheon

November 2002

4th Hartford CT evening speech American Skandia
7th KFIV Radio Interview
8th American Skandia Speech Oklahoma City, OK
9th Am. Skandia Wichita, KS speech
10th KSFO radio interview
11th Economic Forum participant
13th Steve Wampler Radio Show
16th Conference call with Bank of NY
18th Indiana American Skandia speaking tour
22nd Leadership Institute speech
23rd NY American Skandia
23rd KSOV radio interview

December 2002

10th Greg Garrison Radio Show
13th NPR TV show
31st Brit Hume Special Report

January 2003

7th	KVIC Radio
	CNBC interview
	Inside Politics
	Lou Dobbs Money Line
8th	Radio America
9th	MD Tax Payers Association
13th	NPR
	USA Radio
	Radio Wisconsin
15th	CNBC
20th	New York
	CNN Radio

February 2003

5th	KSFO Radio
6th	Wisconsin
	Public Policy Forum
7th	Goldwater Institute
11th	KSFO Radio
12th	CNN Financial News
13th	Coalition on Urban Renewal- Starr Parker
14th	Meeting with Wayne Gable-Schwab
18th	WJET Radio interview PA
	Laffer-Moore conference call
19th	Radio interview (evening)
26th	Meeting with Secretary John Snow
28th	Cato Conference in FL

March 2003

4th	WNTK Radio interview
10th	New York School Choice meeting
13th	Laffer Conference- all day
14th	Laffer Conference – all day
18th	Capitol Hill testifying
20th	Radio interview
27th	KSFO radio interview
	KSEV radio interview
30th	Wisc. Public Radio interview

May 2003

1st	Gilder Policy Dinner

Oceanaire Restaurant
9th TV interview
12th Secretary Snow meeting
22nd CNN taping
27th Radio Shows 3
28th KSFO Lee Rogers
KSIV Radio
29th Greg Garrison Show
ABC News interview
30th Cato luncheon

June 2003

10th Prop 13 Silver Anniversary Dinner
16th Tallahassee FL. w/ Grover Norquist
Policy meeting
17th NC meeting and radio show
23rd ACLU luncheon
25th Hearing on the Hill
26th Heritage Dinner
27th Radio Show "As it is" w/ Mike Foudy

July 2003

2nd KSFO Radio
10th O'Reilly Factor
23rd Evening Radio Show
31st CNN Live

August 2003

2nd CATO
Wall Street Journal Radio interview
3rd Hill News Paper Interview
Fox News cable
11th CATO event
12th CATO event
18th Laffer Conference
19th Laffer Conference
23rd Memphis, TN American Skandia event
24th Jackson, MS American Skandia event
25th Yale University – Speech
29th Louisville, KY - Speech
30th Nashville, TN - Speech

October 2003

1st TN and KY American Skandia events

January 2004

6th KSFO radio interview
Chicago Times Interview
7th Crossfire
9th KCNN Radio interview
Luncheon w/ joint economic conference
WITT Radio interview
13th CBS News
Don Crow Show
15th Press Conference
21st Radio show taping our office
22nd Kudlow and Kramer Show
Speech in Palm Springs, CA
25th Fox and Friends
26th NPR Interview
CNBC news
29th Heritage Speech
Mike Reams Radio Show
Wall Street Review
30th KVIF Radio

February 2004

2nd NPR
KSFO
Wells Fargo Speech
3rd WPT Radio
5th Heritage Dinner
10th Dennis Miller taping
19th to 22nd Palm Beach Economic Retreat
25th WWVN Radio Tampa

March 2004

5th CA for the Bill Maher Show
8th KTRS St Louis
10th NY dinner on Social Security
11th Harvard Study Group
12th Radio Show
16th Press Conference
Gilder Policy Dinner

17th CA- tape the Dennis Miller Show
18th Laffer Conference
19th Laffer Conference
22nd Meeting with Secretary Evans
23rd CQ interview David Miller
31st New York Times

April 2004

1st Small Business meeting w/ Jack Wynn Willard
Chuck Harder Radio Show
13th New York event during day
Conservative union Dinner
16th Texas- death tax policy meetings
NPR
19th Cox Radio
20th NPR radio
21st BBC
Evening radio show
27th Jack Wynn meeting- small business

May 2004

10th Meeting with Secretary Snow
19th Leadership Institute Speech
Ronald Reagan Dinner
20th CATO conference
24th NPR radio

June 2004

4th Wheaton College Economic Policy Speech
7th Meeting with Dick DeVoss on School Choice
8th NY- Economic Summit
9th Meeting on Health Care
CNN
Dinner meeting
15th Market Place public Radio interview
Time Warner Executive meeting
16th Round Table w/ Atlantic Monthly
24th Oklahoma Council of Public Affairs Free Market Think Tank

July 2004

12th Michael Medved Radio Show
14th Empower America Social Security event

16th Heritage luncheon meeting re: the Budget
19th Press Conference on Social Security
20th Press Conference on Social Security

August 2004

3rd American Skandia meetings in Denver
4th Jackson Hole meetings
5th Jackson Hole
6th Jackson Hole
11th Radio show with Blanquita Cullen
NRA Radio
New Yorker Magazine interview
23rd NPR Show
31st Economic Forum

September 2004

5th CNN w/ Gene Sperling
9th Tallahassee FL meeting w/ Governor Bush
10th Meeting w/ James Madison Institute
17th Bloomberg News

October 2004

5th Dennis Miller Show Taping
6th KION Radio Show
12th Radio interview
NCA radio
13th CNN
14th BBC Show live
15th Brian Lehr Show
Hot Talk Radio TV
19th KION Radio Show
20th Radio interview
21st Union College for Policy Speech
Drug Speech
25th New York for Press Release
26th Jim Bohannan Radio Show
27th Memphis TN Financial Resource Forum
KSFO Radio

November 2004

1st Meeting with Dr. Mankiew, council of economic advisors.
8th Las Vegas, NV Pacific Research Breakfast

FFranchise New Times Conference Speech

<u>December 2004</u>

10th Texas Public Policy Foundation

VARIOUS PRESS APPEARANCES BY DAVID KEATING FROM 2001 THROUGH 2005

January 2001

5th Fox Morning News re: Congress and the economy

February 2001

9th Fox News re: Tax cuts/economy
22nd WI Public Radio re: Tax cuts

March 2001

3rd Paul Curtain Radio America network news
14th MSNBC re: Tax cuts

April 2001

12th CNN re: Tax cuts
25th MSNBC re: Tax cuts

June 2001

21st WPTT Pittsburgh, PA re: economy

August 2001

30th MSNBC re: Tax cuts and budget surplus

January 2002

29th CNBC What Bush should do on the economy -- debate

April 2002

12th Bloomberg radio

May 2002

9th Fox News with Neal Cavuto re: Economy

June 2002

20th CNBC

August 2002

8th WWUH CT Soapbox
ABC-TV News Terry Moran Interview

October 2002

8th CBS MarketWatch TV

January 2003

9th WSMB New Orleans Ed Clancy Show: Is the tax cut fiscally responsible

April 2003

22nd WOR NYC re: Tax cuts

May 2003

15th WWLZ Elmira, NY The Jon Antis Show: Tax cuts and the Kennedy ad campaign
23rd MSNBC Pat Buchanan & Bill Press re: Tax cuts
Fox News re: Tax cuts

October 2003

30th CNN

February 2004

8th Fox News Channel Fox and Friends re: Fiscal debate
27th CNN

March 2004

17th WI Public Radio Conversations with Kathleen Dunn

June 2004

CNN re: Economy

March 2005

7th Radio America Network news
8th WDUN radio GA re: Social Security
9th WKBV radio re: Social Security

APPENDIX E

VARIOUS POLICY WRITINGS FROM 2000 THROUGH 2004

The San Diego Union-Tribune

March 30, 2003, Sunday

SECTION: OPINION;Pg. G-2

LENGTH: 686 words

HEADLINE: Bush tax plan will pay dividends

BYLINE: Stephen Moore; Moore is a senior fellow at the Cato Institute and president of the Club for Growth.

BODY:

News commentators around the country are celebrating the vote in the United States Senate earlier this week to slice in half the size of President Bush's bold tax cut plan. A New York Times editorial trumpets the vote as a triumph for "fiscal sanity in the Senate." CNN (the Clinton News Network) could hardly contain its glee when it described the action in Congress as "a devastating setback for the president's tax-cutting agenda."

It's not surprising that the liberal-biased media applauded the no vote on the tax plan. The folks at the indispensable Media Research Center find that "news" items on Bush's $725 billion tax relief plan have been running "at least 4 to 1" against the proposal. The media are not serving as a neutral judge of the Bush tax plan; they are serving as its executioner.

But President Bush's tax cut is not dead -- nor should it be. With every passing day there are further flashing signs that the limping economy desperately needs this tax cut stimulant. With consumer confidence recording its fourth straight month of negativity, the stock market bears still growling with discontent, and the manufacturing sector still bleeding jobs, a tax cut stimulus would provide the U.S. economy with the kind of adrenaline rush that a 3 point shot does in the waning minutes of a tied NCAA basketball game during March Madness. Tax cuts clear away barriers to new job creation and new business investment. This economic growth strategy worked for John F. Kennedy in the 1960s; it worked for Reagan in the 1980s; and it will work again for Bush now.

So why the temporary setback in the Senate? George Voinovich of Ohio, one of the three Senate Republicans who bucked his own party on the tax vote, said that taxes should not be cut during a time of war. Nonsense. The best way to assure victory in this war against terrorism is to stoke the fires of America's powerful engine of economic growth so that it's running again on all cylinders. This is precisely the strategy that Reagan used to win the Cold War. We triumphed against the Soviet Union thanks to a combination of vast military and economic superiority. The goal of the terrorists is to disable the U.S. economy. Pro-growth tax cuts are a powerful defense mechanism to foil this strategy.

The top Senate Democrat, Tom Daschle, complained this week that the Bush plan will blow a grenade-sized hole in the budget deficit. Deficit spending is indeed a big problem in Washington these days. But it is the absence of speedy economic growth (as we grew accustomed to in the 1980s and 1990s) that has thrown the budget into severe imbalance. Without American small businesses making profits and with unemployed workers unable to find decent paying jobs, how in the world does Daschle think that Americans will generate the tax revenues to balance expenditures and receipts?

Growth and expenditure restraint are the keys to eliminating red ink on Capitol Hill. If president Bush's tax plan increases economic growth by just 1 percentage point a year and if federal expenses are cutback to the rate of inflation, we will have a balanced budget by the year 2006, and we will even have a $100 billion surplus. Even in Washington that's a lot of money.

The crown jewel of the president's tax plan is the elimination of the dividend tax on owners of stock. The economics firm Kudlow and Co. estimates that just that one provision would increase stock values immediately by 5 percent to 15 percent. That boost to the stock market would increase the net worth of American families by between $500 billion and $1 trillion. The Heritage Foundation economic forecasting model says that the president's tax plan creates three times as many new jobs as the Senate Democratic alternative.

The White House said again this week that the president will not compromise on his tax plan if the alternative means more jobs lost and less economic growth than America is capable of achieving. And that is exactly what the alternative means. Fight on Mr. President. Your critics don't have a leg to stand on.

LOAD-DATE: April 1, 2003

The San Diego Union-Tribune

July 17, 2002, Wednesday

SECTION: OPINION;Pg. B-7

LENGTH: 844 words

HEADLINE: Securing the homeland; More bureaucracy solves nothing

BYLINE: Stephen Moore; Moore is president of the Club for Growth, a Washington, D.C.-based think tank promoting smaller government and lower taxes.

BODY:
George W. Bush should rethink his proposal to create a new Department of Homeland Security. Once upon a time -- as recently as 1995 -- Republicans wanted to reduce the size of the Cabinet, not add to it. If a Homeland Security department is truly necessary, the Commerce Department or HUD must be closed down to make room for it. If the Republicans won't shut down agencies that long ago outlived their usefulness, they should at least adopt a policy of no net increase in Cabinet departments.

Creating this new department is likely to be highly expensive (at least $4 billion for just reorganization costs), and it may very well create more, not less bureaucratic overlap and redundancy in Washington. Before Congress signs off on President Bush's proposal to create another new agency, we should consider the inglorious history of new Cabinet departments.

Let's start from the beginning. When the U.S. government was first founded there were just three Cabinet agencies: a Department of War, a State Department and a Department of the Treasury. In those founding years of our nation, all domestic government activities, outside of delivering letters, were handled by the Treasury Department. The Treasury Department's first entire budget to deal with all civilian concerns was less than $1 million. Congress now spends that roughly every five seconds.

Today, we have 15 Cabinet agencies -- and 13 of them deal with domestic social welfare issues. Jimmy Carter created two Cabinet agencies: Energy and Education. The education and energy crises deepened after their creation. Both should be terminated. In 1995, the newly elected Republican Congress was going to get rid of three Cabinet departments, Energy, Education and Commerce, but all of them still remain.

The point, of course, is that it would be hard to argue that creating Cabinet agencies solves national problems and in most cases, as with energy and education policy and hundreds of billions of dollars spent, they have made matters worse.

Now, there are strong arguments for creating a Department of Homeland Security. Not the least among these is that by consolidating all border enforcement, intelligence gathering and national security concerns under one roof, there should be a lot less duplication of effort and a lot less of the bureaucracy working at cross purposes -- which happens a lot in our $2.2 trillion government. Washington has more than 50 job training programs, more than 60 low-income housing assistance programs, and some 25 programs for vocational training. Washington invented the Department of Redundancy Department. So there is value in letting Gov. Tom Ridge house all these functions under his direct control.

There are a number of problems with the proposal, however. First, and most importantly, we already have a Department of Homeland Security, and it is called the Defense Department. After all, if the Defense Department, which spends some $350 billion a year -- or more than twice what any other nation spends on military concerns -- isn't spending that money on protecting the homeland, what is it spending these funds on?

The very reason we had a Sept. 11 attack was that our $2.2 trillion government wasn't doing the one thing it is supposed to do, which is to keep us safe from foreign harm. Our Defense Department spends tens of billions of dollars on troops in Korea, troops in the Middle East, troops in Europe, and even Africa.

The fact that the Pentagon doesn't have the money or resources to keep our borders secure and to do the intelligence gathering to keep us safe is lunacy. Foreign entanglements have gotten us so unfocused on the real priorities of national security that life and death issues like protection from terrorists on the home soil is an afterthought for the Pentagon. Meanwhile, we do have money for "peacekeeping operations" in Somalia, IMF funding for Argentina and AIDS funding for Africa.

The crisis is here, Mr. Daschle and Mr. Hastert, not overseas.

A better solution than creating a new Department of Homeland Security would be to rename the Defense Department the Department of Homeland Security. That will get our priorities realigned with the new realities of the national security crises of this post-Cold War world. All expenditures by this new department should be judged on the basis of whether they enhance our security here at home. Under this plan, we save tens of billions of dollars, rather than spend another $4 billion to $5 billion.

President Bush must recognize that the proliferation of Cabinet agencies over the last 50 years has not solved a single problem in America. And it certainly not helped in any way to increase homeland security. Just the opposite is true. The bureaucratization of government in Washington has weakened and strained the federal government's ability to use its resources effectively.

As Texas Senator Phil Gramm has said many times before: "A government that tries to do everything, ends up doing nothing well."

LOAD-DATE: July 19, 2002

Document Links:
Start of Document
SECTION:
LENGTH:
HEADLINE:
BYLINE:
BODY:
LOAD-DATE:

Deseret Morning News (Salt Lake City)

July 12, 2003, Saturday

SECTION: OPINION; Pg. A11

LENGTH: 743 words

HEADLINE: Re-regulation of power markets would be a mistake

BYLINE: By Stephen Moore Scripps Howard News Service

BODY:
Deregulation has been one of the great pro-consumer public policy success stories over the past quarter-century.

Airline deregulation in the late 1970s ushered in the modern era of widely affordable discount airline travel, with ticket prices falling by almost half. Similarly, with a stroke of a pen in January 1981, President Ronald Reagan ended the energy crisis and the gasoline lines of the 1970s. As a consequence of ending price controls for oil, the inflation-adjusted price to fill up your gas tank is far lower today than then.

But we've learned a more painful lesson about regulatory change in recent times, too. When Congress or state lawmakers botch the plan, things can go catastrophically wrong.

That's precisely what happened in California during the recent electricity brownouts. During the worst stage of the electric power shortage, California homeowners and businesses had to ration their electricity use, dim the lights and turn off their air conditioners. A basic service that Americans take completely for granted -- the cheap and uninterrupted access to electric power for light, for heat, for running our computers, powering our hair dryers and dishwashers -- was suddenly a scarce commodity. Electric utility prices skyrocketed because of a tragically flawed electric power restructuring plan that was actually supposed to save California homeowners money. Oops.

Later this month Congress will vote on a new electricity re-regulation scheme that could do for the nation what Sacramento legislators did to California. Uncle Sam's energy regulators want to impose vast new federal control over state and local electric utilities.

The plan aims to lower prices and expand efficiency of the national electricity market by requiring private power-generating companies across the country to come under the authority of newly created mega-Regional Transmission Organizations.

Washington regulators who contrived this new federal power grab -- no pun intended -- falsely label their plan a form of pro-competition deregulation. But if this is deregulation, why does the plan require 603 pages of new rules? Why does it cost $750 million to implement? Why does the flow chart of this organizational redesign make the 1993 Hillary Clinton socialized medicine plan seem sane and comprehensible by comparison?

The new scheme also appears to create clearly definable winners and losers -- and it should be no surprise that the winners are the politically powerful states. Places like New Mexico, Arizona and Colorado are expected to see utility prices rise under this beggar-thy-neighbor scheme, while more of their power gets exported to the major power-using centers like California, New York and Chicago.

One wonders what exactly is the policy problem here that Congress is trying to solve. For years and years, electricity prices have been falling in the United States. The Department of Energy recently conceded: "The electric power industry has generally been marked by substantial growth in capacity and generation and dramatic declines in price." A Cato Institute report finds that the average household pays less than one-third in wage-adjusted prices for electricity today than the equivalent household did in 1950.

Supporters of the new plan to essentially federalize electricity pricing and transmission policy hope that it will reduce utility costs by $1 billion annually. But Thomas Lenard, the respected energy analyst at the Progress and Freedom Foundation, notes that the overall production capacity of electricity could easily fall under this new plan because of reduced investment in building new power plants.

That would mean higher, not lower utility prices. Lenard's warning is worth repeating and demands the upright attention of Congress: "If this regulatory plan is adopted by Congress, the California electricity mistake will be repeated at the federal level, and the next electricity crisis may affect the entire nation."

That is why Congress should reject the new federal re-regulation of electricity markets. Yes, the nation's electricity markets could be made more efficient through greater forces of competition in local markets. But deregulation means that the federal regulatory apparatus is dismantled, not empowered. As Reagan proved, true deregulation doesn't require 600 pages of new law; it just requires a stroke of the pen.

Stephen Moore is president of the **Club for Growth.**

LOAD-DATE: July 12, 2003

Return to Full

LexisNexis™ Academic

USA TODAY

September 16, 2003, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 20A

LENGTH: 414 words

HEADLINE: Tax cuts are not to blame

BYLINE: Stephen Moore

BODY:
Today's debate: Government borrowing

Opposing view: Outrageous deficits are result of Congress' out-of-control spending.

The pronouncement that the federal deficit may exceed more than $ 500 billion next year -- a figure greater than the entire gross domestic product of most nations -- has American taxpayers justifiably infuriated. Running up debt obligations like this on future generations is a form of congressional child abuse. Our children and grandchildren will pay a hefty financial price for our current financial recklessness. They may not soon forgive us.

But the binge in debt spending is not a result of President Bush's tax cuts. At most, only about 25% of the deficits are a result of the tax cuts. Moreover, if the Bush tax cuts generate a stronger stock market, higher business profits and more jobs, the faster levels of economic growth will be a major factor in helping generate more tax revenues to bring the deficit down.

So far so good on this score: Since the president's capital gains and dividend tax cuts were enacted in May, the resulting stock market rally has increased Americans' wealth by more than $ 1 trillion, according to the American Shareholders Association.

The root of the huge deficits has been an inability of Congress and the White House to control their spending appetite. In the past three years, the federal budget has grown more than one-half trillion dollars. Some of this is attributable to justifiable expenses to fight the war on terrorism. But non-terrorism-related federal expenditures are now growing at a faster pace than at any time since Lyndon Johnson was president.

The most vital step in restraining the tidal wave of red ink that has engulfed Washington is to just say "no" to the unconscionable $ 450 billion prescription drug bill for senior citizens. If allowed to pass Congress, it will add $ 3 trillion to the national debt during the next 60 years. Since roughly 75% of seniors already have private drug benefits, why pile huge new debts on the backs of our children? This is like pouring gasoline onto a burning home.

Ronald Reagan once said that "to compare Congress to drunken sailors is an insult to drunken sailors." That has never been more true than today. We won't rebalance our federal budget until the politicians come to grips with their addiction to overspending.

***

Stephen Moore is president of the Club for Growth, which advocates tax cuts and limited government.

LOAD-DATE: September 16, 2003

Return to Full

LexisNexis™ Academic

USA TODAY

April 24, 2003, Thursday, FINAL EDITION

SECTION: NEWS; Pg. 10A

LENGTH: 393 words

HEADLINE: Focus on growth, not deficit

BYLINE: Stephen Moore

BODY:
Today's debate: Tax cuts

Opposing view: Economy needs the stimulus Bush's tax-cut plan would provide.

The biggest problem with the U.S. economy today is not our budget deficit, but our growth deficit.

We have lost 2 million jobs in the past two years, and the economic-growth rate has fallen by half from the prosperous pace of the 1980s and '90s.

Until we get the growth-deficit problem fixed, the budget cannot be balanced. If we can increase the economic growth rate by just one percentage point a year, the federal government will collect $ 1.5 trillion more taxes during the next decade simply by putting America back to work.

That is why President Bush's economic-stimulus tax cut is crucial to our economy. Its beneficiaries will be workers, investors, states and cities -- all of which are front-line victims of anemic economic-growth rates.

The jewel of the president's tax plan is the proposal to eliminate the double tax on stock dividends.

Currently, dividends are taxed as corporate income to businesses that pay them, and then as personal income to individual shareholders receiving the dividends. This can result in tax rates on dividends as high as 70%. These punitive tax rates reduce stock values, capital investment and savings. And, of course, it is fundamentally unfair to tax the same income twice.

Many economists believe that by eliminating the double taxation of dividends, stock values will rise by as much as 10% immediately. This is very good news for the 85 million Americans who own stock but have seen their retirement incomes disappear during this bear market.

The problem of deficit spending should be controlled by expenditure control. If Congress would simply hold federal spending to a 2% growth rate a year for five years, we could balance the budget and afford President Bush's tax cut.

We should all remember the words of President John F. Kennedy, who said: "It is a paradoxical truth that when tax rates are too high, the economy will never produce enough jobs or enough revenues to balance the budget."

Let's get the economy in to high gear again with tax cuts and balance the budget by cutting out-of-control government spending.

***

Stephen Moore is a senior fellow in economics at the Cato Institute and president of The Club for Growth.

LOAD-DATE: April 24, 2003

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Newsday (New York)

January 9, 2003 Thursday ALL EDITIONS

SECTION: VIEWPOINTS, Pg. A33

LENGTH: 728 words

HEADLINE: Tax-Cut Battle Will Be a Winner For the Economy

BYLINE: By Stephen Moore. Stephen Moore is president of the **Club for Growth** and a senior fellow at the Cato Institute.

BODY:
President George W. Bush has proposed a $674-billion tax cut to help pull the economy out if its two-year, bear-market rut. In releasing the plan, Bush seemed to be announcing to the nation:

When it comes to tax cuts to energize the economy, size does matter.

He's right. This bold plan - almost five times larger than the Democratic alternative - is exactly the right fiscal medicine at the right time. Its beneficiaries will be workers, investors, states and cities - all of whom are front-line victims of anemic economic growth rates.

The centerpiece of the president's plan is elimination of the double taxation of dividends. Currently, dividend income is taxed as corporate income to the

business, and then as personal income to the individual receiving the dividend. This can result in effective tax rates on dividends as high as 70 percent. These punitive tax rates, in turn, reduce stock values, capital investment and savings.

John Rutledge, a respected Wall Street economist and a former

Reagan administration economist, estimates elimination of the dividend tax could cause stock values to rise by as much as 10 percent, which is good news for the 85 million American shareholders. Gary Robbins, of Fiscal Associates, says that a dividend tax cut will increase Gross Domestic Product by at least $5 for every $1 of reduced tax receipts. That's a high economic pay-off. Even the Democratic critics of the president's plan unwittingly acknowledged the value of this plan when they criticize it for stimulating the stock market. What's wrong with a plan that raises the wealth holdings and retirement incomes of American stockholders, who now make up almost half of all U.S. households?

The other major feature of the Bush tax stimulus plan is to fast

forward the tax cuts from the president's 2001 plan. This, too, makes good economic sense.

The phased-in tax cuts in the 2001 tax plan were always of

questionable economic benefit. Would you go to the store today to buy a product if the store advertised that tomorrow the price will be marked down by another 20 percent? Delayed tax cuts delay economic activity and often have exactly the opposite impact as hoped. They de-stimulate the economy.

President Bush would accelerate his earlier tax cut. A majority of

House and Senate members voted for the tax cut two years ago. Why not provide the full economic bang of the tax cut now, when the economy most desperately needs a shot of steroids? Cutting the highest income-tax rates is especially stimulative because roughly two out of every three Americans paying the highest tax rates are small business owners. They are the wealth and job

producers in our economy.

One reason the U.S. economy is ailing is that business investment

has fallen dramatically. Simultaneously the U.S. venture capital industry, which provides the seed corn for new developing 21st-century companies, is almost entirely dormant today. Why the skittishness? Investors don't see the profit opportunities in new ventures. Costs are too high for new businesses thanks to government meddling; payoffs are too meager thanks to excessive

taxes on capital investment - i.e., the capital gains tax and the dividends tax.

The objective of this plan is to replicate the tax-cut successes

of Presidents Ronald Reagan and John F. Kennedy. It was JFK who said that "it is a paradoxical truth that when tax rates are too high the economy will never produce enough jobs or enough revenues to balance the budget."

Deficit hawks in both parties will no doubt squeal that this tax plan is unaffordable and will run up the national debt. They are wrong. What Kennedy and Reagan

and now Bush understand clearly is that it is the absence of economic growth that causes runaway budget deficits.

So let the class-warfare Democrats embrace small and impotent

policy changes - changes that increasingly sophisticated investor-class voters will immediately identify as fraudulent. The obstructionist Democrats have announced that they intend to fight against the president's genuine Republican growth package and to wage all-out class-envy warfare. Bush has 90 million investor-class Americans on his side who realize that tax-rate cuts

mean higher stock values and greater retirement security.

Republicans must not shrink from the battle. Bring on the fight.

GRAPHIC: PHOTO - Stephen Moore

LOAD-DATE: January 9, 2003

Document Links:
Start of Document
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Newsday (New York)

March 21, 2002 Thursday NASSAU AND SUFFOLK EDITION

SECTION: VIEWPOINTS, Pg. A43

LENGTH: 720 words

HEADLINE: Campaign $$ Curb Perils Free Speech

BYLINE: By Stephen Moore; Stephen Moore is president of the **Club for Growth**, a political action group, and a senior fellow at the Cato Insitute

BODY:

THE CAMPAIGN finance reform bill that passed the Senate yesterday and was sent to President George W. Bush for his signature is the most fraudulent legislation in Washington since Hillary Clinton promised health insurance coverage no one could ever lose.

Even those who support the idea of limiting special interest money that flows into campaigns and into the coffers of the political parties, will be disappointed with the bill's impact on our election process. Special interests still will be able to cozy up to Congress with nearly unlimited campaign spending - albeit through different routes. Campaigns will cost no less.

The creation of Sens. John McCain (R-Ariz.) and Russell Feingold (D-Wis.) is not about cleaning up elections or fighting political corruption. It is not about weeding big money special-interest influences out of politics. The legislation is first and foremost a jobs protection bill for members of Congress.

How so? The most insidious feature of this bill would prohibit issue-based organizations from running TV or radio advertisements that criticize or praise a candidate in the 60 days before an election. This means, for example, that the National Rifle Association could not run an ad proclaiming: "Congressman John Smithereen is a buffoon because he voted 4 times for gun control legislation." Handgun Control Inc. could not likewise attack a congressman for his pro-gun votes.

What is more fundamental to the constitutional right of free speech than the right to freely criticize the policies of our own government and, by implication, the politicians who enacted the laws we find offensive or wrongheaded?

Imagine if this bill had existed during colonial days. Patrick Henry would announce that King George III was a big oaf for taxing the colonies to great excess, and out would come the lawyers and the magistrates to muzzle Henry, on grounds that his critique had come within 60 days of an election.

Political scientists have calculated that incumbents start off every campaign with roughly a $500,000 advantage due to high name recognition and the assorted privileges and perks (such as free mailings) of holding office.

Just about the only way to beat a sitting congressman or senator is to educate voters about what they stand for with rapid-fire shots at the incumbent's voting record and behavior in Washington. And this must be done not months, but days before the elections - when normal Americans who don't live and breathe politics start paying some modicum of attention.

The measure is mainly identified with McCain, who wishes to stifle competition against incumbents. For example, on nearly a half-dozen occasions, McCain has cited the **Club for Growth** (a conservative political action committee) as a case study of the need for his campaign finance bill.

On CNN recently, Wolf Blitzer asked McCain why he supports a 60-day advertising ban. "It's because of outfits like this so-called **Club for Growth**," he replied. "They came into Arizona last year and ran hundreds of thousands of dollars of negative attack ads. No one knew who they were. No one knew who their funders were."

What has McCain and his allies nervous is that issue groups like **Club for Growth** actually fund insurgent campaigns against incumbents in both parties. When the bill goes into effect, the chances of ousting an incompetent incumbent will be drastically reduced. How can voters be expected to ever "vote the bums out," if they don't know the facts about how their bum voted?

McCain's campaign bill would lead to less competitive, not more competitive, elections. A recent study of the myriad of campaign laws at the state level by the Levy Economic Institute of Bard College discovered that limitations on campaign spending and advertising lead to higher rates of election of incumbents.

Is that what voters really want? Under the current laws, incumbents are virtually unbeatable unless they have committed a sex offense with a minor or they've been convicted of some other felony. The average incumbency re-election rate is between 96 percent and 98 percent. It's easier to get somebody out of prison than out of Congress. If anything, lawmakers should pass laws making elections more competitive, not less.

GRAPHIC: Newsday/Gary Viskupic -

LOAD-DATE: March 21, 2002

The Boston Herald

August 5, 2003 Tuesday ALL EDITIONS

SECTION: EDITORIAL; Pg. 025

LENGTH: 602 words

HEADLINE: OP-ED; Big government finds enablers among the GOP

BYLINE: By Stephen MOORE

BODY:
It pains me to say this, but the Republicans in Washington seemingly have forgotten who they are and why voters sent them to the capital in the first place.

Even though we now have GOP control of the White House, the Senate and the House, the bloated $ 2.25 trillion federal government has grown more rapidly on President Bush's watch than it did under Clinton.

What in the world is going on here? Aren't the Republicans supposed to be the fiscally conscientious, anti-big government party?

I always thought so. It was music to my libertarian ears when the Gipper declared unforgettably in 1980 that big government isn't the solution to our nation's problems; big government ISthe problem.

In the 1990s, I worked with Newt Gingrich and Dick Armey to draft the Contract With America and helped engineer the revolutionary Republican takeover of Congress. We Republicans pledged that we would make government smaller and smarter, and we would abolish hundreds of federal agencies, bureaus and departments that are obsolete, ineffective and wasteful.

But the war on waste has been lost virtually without even firing a shot.

President Bush and Republicans have enacted the biggest education bill in history. The new $ 100 billion farm bill is the costliest ever, and gives many rich farmers $ 1 million in handouts. We just approved a $ 15 billion Africa aid bill and many Americans (especially those out of work) are wondering whether that money couldn't be spent a lot more wisely here at home.

With this kind of budget restraint, who needs George McGovern and Tip O'Neill?

The Republicans are now working with Ted Kennedy on a Medicare prescription drug bill that is the biggest expansion of the welfare state since LBJ sat in the Oval office. Excuse me, but I thought we Republicans wanted to get rid of the rob-Peter-to-pay-Paul income redistribution schemes.

The tentacles of the federal octopus have delved wider into every area of our lives and deeper into our pockets than ever before. Fred Smith, the president of the Competitive Enterprise Institute in Washington, says that new regulations on business have proliferated at a record pace under this Republican administration. The Cato Institute finds that Bush is the biggest spender in the White House since the bygone era when the Beatles were still banging out hit records. It

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wasn't the tax cuts that caused the deficit to balloon to $ 450 billion this year. It was the runaway train of reckless federal spending.

Just last week House Republicans approved a $ 10 million hike in the budget for the National Endowment for the Arts. That was one of the morally offensive give-away programs Republicans promised they would work to extinguish. Now they're fattening its budget. It gets worse. Taxpayers are now subsidizing sexual pleasure by allowing Medicaid to pay for Viagra. And here's the ultimate outrage: The Republican Congress had nearly doubled the budget of the hated IRS.

There's only one depressing explanation: The limited government party of Reagan has morphed into the big spending party of Rockefeller. So now we have two big government parties in Washington competing to see which can buy the most votes by passing out the most pork to the special interest groups.

That's awful news for aggrieved taxpayers and its embarrassing news to the apparent dying breed of Reagan Republicans like me.

Perhaps conservatives need a new political rallying cry: Big government Republicans aren't the solution; they are the problem.

Stephen Moore is president of the Club for Growth and a senior fellow at the Cato Institute.

LOAD-DATE: August 05, 2003

2704172675

The Washington Post
washingtonpost.com
The Washington Post

September 18, 2004 Saturday
Final Edition

SECTION: Editorial; A25

LENGTH: 914 words

HEADLINE: Issue Ads: Let 'Em Rip

BYLINE: Stephen Moore

BODY:

President Bush and Sen. John McCain would ban independently financed political attack ads from the TV and radio airwaves; Bush says that election season ads by "527" organizations, such as the one I run, the Club for Growth, "are bad for the political system." John Kerry, meanwhile, has been damaged in the polls by the Swift Boat Veterans for Truth ads financed by big Republican donors; many of his supporters want them pulled off the air.

Such complaints are drenched in hypocrisy, no matter which side they come from. Back when the White House was promoting the McCain-Feingold campaign law, President Bush emphasized that a "first and foremost" principle of democracy is to "strengthen the role of individuals in the political process by . . . protecting the rights of citizen groups to engage in issue advocacy." That is precisely what 527 organizations are doing this year.

It's interesting that liberal groups, which spearheaded the campaign reforms to keep the fat cats from spending unlimited dollars on the political process, were first out of the gate in the money-raising derby this election season, raising donations $1 million and $10 million at a time from, of course, fat cats. When George Soros wrote a $12 million check to MoveOn.org and other groups to defeat Bush, liberals and the Kerry camp defended it as necessary to "level the playing field," because the Bush-Cheney campaign had raised $200 million in small, hard-money donations.

Defending 527s in the current political environment is no easy task, but let me try.

The first false premise about 527s is that way too much money is being spent this election season. This year as much as $1 billion is expected to be spent on the presidential election -- about twice what was spent in the 2000 campaign. But a lot of money is being spent precisely because the stakes are so high. We are deciding in November who will be our commander in chief in a war on terrorism against people who want to destroy our nation. We are deciding who will be the chief executive of the largest organization in the history of humanity: an enterprise known as the federal government. It spends $1 billion every four hours.

Political ads by outside groups fulfill an important role in our democratic system. They educate. They help keep Americans engaged in and attentive to the coming elections. The same good-government advocates who complain that Americans don't pay enough attention to politics and bemoan lower voter turnout in elections in recent years also want to muzzle advocacy groups that remind Americans that they have something at stake in the elections. This year citizens are more engaged than any time in recent memory, and the 527 groups are both a cause and a consequence of that engagement.

The candidates and political parties want to ban the unrestrained flow of dollars to 527s so they themselves can monopolize the money and the message during the campaign season. Incumbents in Congress all rallied in favor of regulating uncapped spending by issue-oriented groups, because they want to ensure that their 96 percent reelection rate is protected against attack ads that might bring attention their positions on controversial issues. A ban on outside issue ads before an election won't just silence MoveOn.org but also messages from groups ranging from the Sierra Club to the National Taxpayers Union, to the Girl Scouts, to Notre Dame, to the firefighters union. I don't have a clue who's telling the truth between John Kerry and the Swift boat veterans, but it seems to me a healthy debate to have, especially because Kerry has based his credentials for the presidency on his Vietnam service.

Which brings us to the thorniest and weightiest issue of all: Should the First Amendment protect TV and radio ads that attack or praise the positions of candidates within 60 days of an election? What seems clear is that our Founding Fathers sought above all else to protect political speech when they crafted the First Amendment. These were men who had risked all by criticizing and attacking the injustices of King George III. It seems doubtful they would applaud an interpretation of the Bill of Rights that said: "Congress shall make no law abridging the freedom of speech -- except about candidates just before an election." It's mighty depressing to see so many civil libertarians wanting to curtail political speech.

The other day I was walking down a busy street in Washington when an earnest college girl holding a clipboard asked me if I wished to sign up to help John Kerry. I couldn't help wondering whether John McCain would think that she and the hundreds of thousands of others who are making important in-kind contributions to help Bush or Kerry are engaging in a form of unregulated political speech that needs to be curtailed.

Why not keep the process open and unregulated? American voters aren't stupid. They will sort through the issue ads on TV, radio, the Internet, the telephone, the mail and any other form of communication. And they will make the right informed decision on Nov. 2.

If George Soros wants to spend $100 million of his own money to educate the public about the blunders that Bush has made as president -- as he has threatened to do -- why muzzle him? Let's have full disclosure of donations to candidates and political groups and let the voters decide whom to believe.

The writer is president of the Club for Growth and a senior fellow at the Cato Institute.

The Washington Post

washingtonpost.com

The Washington Post

July 16, 2000, Sunday, Final Edition

SECTION: OUTLOOK; Pg. B04

LENGTH: 1470 words

HEADLINE: Hey, Big Spenders! Are You at the Right Party?

BYLINE: Stephen Moore

BODY:

When he was president, Ronald Reagan used to quip that comparing the spending habits of Democrats to drunken sailors is an insult to drunken sailors. For at least a generation now, Republicans have reflexively tarred and feathered the Democrats in Washington as spendaholics. The GOP's two watershed elections of recent times, 1980 and 1994, were won on successful attempts, first by Reagan, then by conservative congressional Republicans and Newt Gingrich as House speaker, to convince voters that the federal government had become too big and too intrusive--and that the fiscally reckless Democrats were to blame.

It's virtually certain that when the campaign season begins in earnest in a few weeks, Republicans will again skewer Democrats as tax-and-spend, nanny-state liberals. But this time, the strategy may fail--miserably. And it's not because Democrats are suddenly turning into a gang of fiscal tightwads. Rather, the problem is that Republicans have become prodigious spenders themselves.

Over the next five years, the Democrats would like to spend $ 10 trillion, if you consider projections included in President Clinton's final budget, which is generally considered to be a glimpse of Al Gore's first budget. Ten trillion dollars? That's more money in real terms than it cost to fight World Wars I and II, the Vietnam War, the Korean War and the Civil War combined. Congressional Republicans say that's entirely excessive: Their counter-demand is to spend $ 9.95 trillion. Not much of a difference. Either way, big government wins.

In a new Cato Institute study, Stephen Slivinski and I show that the 106th Congress is on pace to be the biggest-spending Congress on civilian social programs since the late 1970s. By year's end, federal social spending since January 1998 will have soared by $ 33.4 billion--or 11.3 percent after adjusting for inflation--compared with the 105th Congress. Rep. Tom Coburn, the retiring Oklahoma Republican who is one of the last of the GOP's budget hawks, frets: "We Republicans have lost control of the budget process."

There is also a resurgence of big, beefy budgets at the state level, where Republicans control 31 governorships. Since 1996, state spending has grown at almost twice the rate of federal outlays. This is partly explained by the shift in responsibility for programs such such as welfare, but other programs are burgeoning in the states. New York Gov. George E. Pataki, who came to office as the antidote to Mario Cuomo's tax-and-spend policies, now wants an 8 percent increase in expenditures. In Arizona, Gov. Jane Hull has proposed higher sales taxes to spend more on schools, and in Tennessee, the budget has grown by nearly 50 percent under Gov. Don Sundquist's tenure. He is now pushing that state's first-ever income tax. All of these governors are Republicans.

For many years after I started covering the federal budget process in the early 1980s, all domestic policy initiatives were constrained by the moral crusade to eliminate the budget deficit. Republicans typically frustrated the Democrats' spending designs by reminding voters that with $ 200 billion of red ink, the nation couldn't afford new social programs. But now that the deficit has become a surplus, the Republicans have lost their stomach for Ali-Frazier-type epic battles with Democrats over the budget. And so, the gold rush to spend money is on--in both parties. Call it the curse of $ 200 billion tax surplus, but there is no question that Republicans are in full-scale retreat from their rallying cry to make government smaller and smarter.

For an old-school fiscal conservative like myself, this story is thoroughly depressing.

Back in 1995, as an adviser to Budget Committee Chairman John Kasich, I helped the House Republicans craft one of the most ambitious fiscal downsizing plans in decades. The plan called for eliminating three Cabinet agencies and more than 200 programs. The House approved it. Most readers will recall the ensuing knock-down, drag-out fights between Clinton and congressional Republicans over the future of the National Endowment for the Arts, education funding, the school lunch program, and funding for the Corporation for Public Broadcasting. Clinton, his Democratic allies and special interest groups fought furiously against most of these spending cuts. Ultimately, they prevailed.

What is surprising, however, is not simply that most of the programs on the GOP hit list received a new lease on life, but that they are now prospering as never before. To be sure, in 1995, a few dozen federal programs were eliminated, such as the U.S. Travel and Tourism Administration and the Cattle Tick Eradication Program.

But since 1997, not a single federal program of fiscal consequence has been eliminated. An absurd program, the wool and mohair subsidy enacted before World War II to ensure an adequate supply of military uniforms, was mercifully eliminated in 1995--only to be resuscitated in 1998.

Education Department funding is symptomatic of the GOP's newfound generosity. Education's budget has grown by more than 35 percent since 1996 and, according to Education Week magazine, many education programs are faring a lot better under a Republican Congress than they did when Democrats ruled Capitol Hill. Meanwhile, on the campaign trail, presumed Republican presidential nominee Gov. George W. Bush says he wants to add several billion dollars more to the education budget. (Quick: Name three or four federal programs that Bush says he wants to get rid of.)

The 65 largest programs slated for extinction by the House Republicans' "Contract With America" budget in 1995 have actually grown since then by 17 percent. What are we to deduce from this? That these programs--including subsidies for peanuts and Amtrak, and tax dollars for Pillsbury and Ralston Purina to advertise their products overseas--may very well have attained a kind of fiscal immortality. They are the living dead of the federal budget process.

If Republicans couldn't cancel these programs during times of red ink, the chances of eliminating them when the budget coffers are overflowing with tax dollars are slim. We have arrived at total fiscal paralysis, with neither party able or willing to clean out the budget of even its lowest-priority agencies. (One happy exception is the telephone tax, first enacted to help finance the Spanish-American War of 1898, which seems to be ready for repeal just 100 years later.) As Jonathan Rauch, author of "Demosclerosis: The Silent Killer of American Government," notes, it's hard to see why either New Democrat reformers or conservative budget hawks would applaud this development. The federal budget has become a cluttered attic of obsolete agencies started in the New Deal and the Great Society days. I'm now more convinced than ever that this housecleaning is unlikely to occur unless conservatives and liberals alike join forces in acknowledging that this agency immortality is the essence of bad government.

Republicans are the political losers if they surrender their claim as the anti-big-government party. A Zogby poll in March found that two-thirds of Americans think the government wastes at least 25 cents of every dollar it spends. And they are right. Despite all the talk these days about voters wanting more federal spending for education and Medicare, voters don't seem especially eager for a new Great Society spending binge.

In 1998, just a few weeks before the election, Republicans passed a $ 500 billion omnibus spending bill containing lots of pork for everyone. Conservative voters were so disgusted, they turned away from the polls, and the GOP's expected congressional gains melted away into losses. Republicans--particularly Bush--are differentiating themselves well from Democrats on strategic policy issues: tax cuts, private accounts for Social Security and missile defense, just to name a few. But unless they begin to rearticulate the case for a smaller and leaner federal government, Republicans' early poll advantages may vanish just as they did in 1998.

The Republicans don't have to try to make the case for getting rid of everything wasteful in Washington at once, as they tried and failed to do in 1981 and 1995. But they have to make the case for getting rid of something. And they need to convince voters that they will be more responsible guardians of the budget surplus than Gore and congressional Democrats.

But as things stand now, that's not an easy case to make. The dirty little secret is that there are two big government parties in Washington. In my book, that's at least one too many.

Stephen Moore is an adjunct fellow at the Cato Institute and president of the Club for Growth, a conservative political action committee.

LOAD-DATE: July 16, 2000

Chicago Sun-Times

February 23, 2003 Sunday

SECTION: EDITORIAL; Pg. 33

LENGTH: 875 words

HEADLINE: Congress packs more pork than ever in budget bill

BYLINE: Stephen Moore

HIGHLIGHT:
One Capitol Hill staffer reported that it was Christmas morning for lobbyists.

BODY:
America may be on the eve of war. We may have a rotten economy. We may have to worry about terrorism and our homeland security. And we may have big, beefy and economically debilitating budget deficits again.

But if you think that any of this has caused Congress to temporarily rise like Churchillian statesmen above petty politics, forget it. Congress has now sent to the president one of the ugliest spending bills in a decade--a $400 billion "omnibus spending bill" that busts the budget and sets Olympic records for the levels of pork barrel spending. This 2,100-page monstrosity is so crammed with special interest parochial projects that many of the costly gems hidden away in this bill probably won't be found for weeks to come. Yet only 31 Republicans in the House voted no.

The day the bill was drafted, one Capitol Hill staffer reported that it was Christmas morning for lobbyists. One of my spies who went to thumb through the bill reported that lobbyists were rushing through the halls of the House office buildings gleefully reporting to their clients news like this: "Jim we got the parking garage. Yep, fully funded--all $290,000 of it. And we got the skating rink funded too." Or, "Good news, sir. Our new marble courthouse building got snuck in the bill late last night. Congratulations."

This bill is such a fiscal embarrassment that it is exactly the kind of pork-larded monstrosity the Democrats used to shamelessly pass and Republican conservatives used to rail against. These kinds of abuses of the public fisc won't happen when we're in charge, the Republicans used to say.

Unfortunately for the pork barrelers, the good folks at the House Republican Study Committee raked through as much of the bill as they could stomach without getting physically ill, and here are some of the noxious items they discovered:

*$1 million for the Iowa Historical Society for exhibits related to the world food prize.

*$750,000 for the Baseball Hall of Fame.

*$725,000 for the Please Touch Museum in Philadelphia.

*$500,000 for the Boat House Museum in St. Charles, Mo.

*$500,000 for Tongass Coast Aquarium in Alaska.

*$350,000 for the Rock and Roll Hall of Fame.

*$210,000 for swine hoop barn research in Iowa.

*$150,000 for office renovations for Sen. Robert Byrd (D-W.Va.).

There's also money for a cowgirl museum, dozens of university "research grants" with price tags in the millions of dollars, and expanded eligibility for farm aid (on top of the $170 billion farm bill we just passed last Congress!). Citizens Against Government Waste calls the bill the "porkiest bill ever." And those waste watchers can smell bacon from a mile away.

The chairman of the powerful House Appropriations Committee, Bill Young, calls this bill a "victory for national defense." That's true only if you think spending $250,000 to promote soccer or $300,000 for sweet potato research makes you feel safer from our foreign enemies or if you think crickets and grasshoppers are a primary threat to our security (there is nearly $1 million in the bill to control these critters).

The bill isn't just objectionable because of the thick slabs of pork. It's a grade A budget buster. Its price tag came in $2.2 billion above the funding level that the president agreed to in negotiations in Congress. It is easily $10 billion to $20 billion higher than is fiscally responsible at a time of war and $200 billion budget deficits.

The $54 billion allocated for the Education Department is nearly a 10 percent increase in spending over last year and further validates the meddling tentacles of Uncle Sam into local school operations. Republicans are proving to be bigger spenders on Jimmy Carter's Education Department than Democrats ever were.

Perhaps the most fiscally outlandish provision of this bill would be to increase Medicare payments to doctors--which could cost taxpayers an estimated $50 billion over the next 10 years. With rampaging health care costs swallowing up the federal budget, this provision will only accelerate Medicare's bankruptcy.

Sadly enough, the bill passed the House last week with just a few random opponents. Incredibly, some left-wing Democrats voted against the bill because they didn't think it spent enough money. The few brave Republicans who bucked the party couldn't in good conscience bring themselves to vote "aye" for a bill that is so damaging to our nation's finances.

Back when the farm bill was being debated last year, Rep. Jeff Flake of Arizona rose up on the House floor and issued a two-minute lecture to his colleagues in opposition to the bill. One of his Democratic colleagues challenged Flake and questioned what a congressman from Phoenix could possibly know about farming. Wrong question. Flake grew up on a farm. And he responded to the counterattack by saying: "I may not be in agriculture anymore, but after a childhood of living on a farm, I assure you, congressman, that I know manure when I see it."

Too bad more of the distinguished gentlemen and ladies on Capitol Hill don't know manure when they see it.

Stephen Moore is president of the Club for Growth in Washington.

GRAPHIC: Associated Press, Steven Tyler of Aerosmith (left) and Kid Rock perform at an induction ceremony for the Rock and Roll Hall of Fame, which would get $350,000 under the spending bill Congress sent to President Bush.

LOAD-DATE: April 13, 2003

Chicago Sun-Times

August 24, 2002 Saturday

SECTION: EDITORIAL; Pg. 20

LENGTH: 748 words

HEADLINE: FCC should leave digital television to a free market

BYLINE: Stephen Moore

HIGHLIGHT:
Let consumers decide, writes Stephen Moore

BODY:
So much for the myth that federal regulators protect the little-guy consumer from big business.

On Aug. 8, the Federal Communications Commission approved a new rule that will raise the cost of a new TV set by as much as $250. The purpose of this TV tax is to force American consumers to purchase a product they have refused to pay for voluntarily. This is a naked case of regulatory corporate welfare: putting the financial interests of industry lobbyists ahead of the consumer.

The new FCC regulation will require all new TV sets to come equipped with the capacity to carry digital broadcasts. Digital TV is the newest fad in TV engineering. It will allow TV sets to eventually receive DVD-quality picture and sound. Currently, the "digital tuners" to provide this new technology aren't cheap. They can easily add $200 to $300 to the cost of a TV--which in some cases is more than the cost of the new TV itself.

Broadcasters and some TV manufacturers who produce the tuners--Zenith, for example--are feverishly pushing the new regulation.

Michael Powell, the normally free market leaning FCC chairman, is leaning toward approving the new law, which would prohibit stores from selling TVs without the tuner after 2006.

The FCC was, of course, created to safeguard consumer interests, but in this case the agency will mandate a new expensive technology, whether consumers want it or not. Most American households already have access to cable or satellite TV. These viewers have mostly shunned the digital TV fad. Requiring these consumers to buy tuners with their TVs makes as much sense as forcing McDonald's customers to buy the fries if they want the Big Mac; or Apple to sell computers with Intel chips inside, or even baseball card packs to come with a stick of gum.

We have here a multimillion dollar income transfer from the TV viewing public to the broadcasters, with Uncle Sam as the policeman and enforcer. In this case, the broadcasters' rush for special favors from government are no different or less justified than the handouts to the steel industry, timber companies and millionaire farmers.

The broadcasters disingenuously justify their federal protection racket by arguing that the economies of scale from mass purchases can lower costs to consumers. No doubt that's true. But, of course, that argument could be made to justify government interference in every new business and industry. If the government would require people to buy lemonade from my son's roadside stand, he can lower his costs and prices too. To listen to the sanctimonious "public interest" arguments of the broadcasters, one might think they were selling the polio vaccine--not a prettier picture on a TV screen.

The FCC's case for this product mandate is weak in the extreme. There is no market failure here that needs to be redressed. In fact, history proves just the opposite. One of the hallmarks of the new high technology age is how rapidly consumer electronic innovations become available to the mass buying public. Today, through the magic of the free market, even low-income households can afford color TV sets, cellular telephones, CD players, DVD players, microwave ovens, the Internet, personal computers, and on and on. The diffusion of these technologies, in virtually every case, occurred without government aid.

If anything, government's track record has been one of inhibiting the diffusion of exciting technologies. This has indisputably been the case in the area of broadband technology. Government regulations of telecommunications in the 1990s have shrunk the incentive for phone companies to invest in the necessary cable infrastructure to bring high-speed broadband service to tens of millions of homes and businesses that still lack access. Here, government has contributed to the digital divide in America.

As for digital TV, this new technology will become widely adopted, not when the government decrees it to be so, but when the prices fall fast enough so that Americans willingly purchase the product on their own. The FCC shouldn't stand in the way of this new technology, but it shouldn't mandate it either. When the consumer is king, product quality improves and prices fall.

The FCC's latest assault against consumer sovereignty should be overruled by Congress--and before the next station break.

Stephen Moore is president of the Club for Growth and a senior fellow at the Cato Institute in Washington, D.C.

GRAPHIC: Associated Press, The day will come digital TVs are widely embraced by consumers, but prices must come down more first.

LOAD-DATE: September 9, 2002

Chicago Sun-Times

March 25, 2002 Monday

SECTION: EDITORIAL; Pg. 29

LENGTH: 637 words

HEADLINE: Campaign reform muffles opposition

BYLINE: Stephen Moore

HIGHLIGHT:
It's job protection for incumbents

BODY:
The campaign finance reform bill headed to President Bush's desk is the most fraudulent legislation in Washington since Hillary Clinton promised heath insurance coverage no one could ever lose.

Sen. John McCain's creation is not about cleaning up elections or fighting political corruption. It is not about weeding big-money special-interest influences out of politics. This legislation is first and foremost a jobs protection bill for members of Congress.

How so? The most insidious feature of this bill would prohibit issue-based organizations from running TV or radio advertisements that criticize or praise a candidate in the 60 days before an election. This means, for example, that the National Rifle Association could not run an ad proclaiming: "Congressman John Smithereen is a buffoon because he voted four times for gun control legislation." Handgun Control Inc. could not likewise attack a congressman for his pro-gun votes.

What is more fundamental to the constitutional right of free speech than the right to freely criticize the policies of our own government and, by implication, the politicians who enacted the laws we find offensive or wrongheaded?

Imagine this bill had existed during colonial days. Patrick Henry would announce that King George was a big oaf for taxing the colonies to great excess, and out would come the lawyers and the magistrates to muzzle Henry, on grounds that his critique had come within 60 days of an election.

Political scientists have calculated that incumbents start off every campaign with roughly a $500,000 advantage due to high name recognition and the assorted privileges and perks (such as free mailings) of holding office. Just about the only way to beat a sitting congressman or senator is to educate voters about what they stand for with rapid-fire shots at the incumbent's voting record and behavior in Washington. And this must be done not months but days before the elections--when normal Americans who don't live and breathe politics start paying some modicum of attention.

McCain wishes to stifle competition against incumbents. For example, on nearly half a dozen occasions, McCain has cited the Club for Growth (which I run) as a case study in the need for his campaign finance bill. On CNN recently, Wolf Blitzer asked McCain why he supports a 60-day advertising ban. "It's because of outfits like this so-called Club for Growth," he replied. "They came into Arizona last year and ran hundreds of thousands of dollars of negative attack ads. No one knew who they were. No one knew who their funders were."

What has McCain and his allies nervous is that issue groups like ours actually fund insurgent campaigns against incumbents in both parties. If the McCain bill is enacted into law, the chances of ousting an incompetent incumbent will be drastically reduced. How can voters be expected to ever "vote the bums out," if they don't know the facts about how their bum voted?

McCain's campaign bill would lead to less-competitive, not more-competitive, elections. A recent study of the myriad of campaign laws at the state level by the Jerome Levy Institute discovered that limitations on campaign spending and advertising lead to higher rates of election of incumbents.

Is that what voters really want? Under the current laws, incumbents are virtually unbeatable unless they have committed a sex offense with a minor or they've been convicted of some other felony. The average incumbency re-election rate is between 96 percent and 98 percent.

It's easier to get somebody out of prison than out of Congress. If anything, lawmakers should pass laws making elections more competitive, not less.

Stephen Moore is president of the Club for Growth, a pro-growth, free market, issue advocacy organization in Washington, D.C.

LOAD-DATE: March 27, 2002

The American Spectator

March 2002 - April 2002

LENGTH: 1251 words

HEADLINE: Enron and Me

BYLINE: Stephen Moore

BODY:
These days, the ultimate status symbol in Washington is to have been on Enron's payroll. The beneficiaries list reads like a Who's Who of the Washington power structure. It includes Robert Rubin, Karl Rove, Larry Lindsey, Frank Luntz, Bill Kristol, Robert Zoellick, Peggy Noonan and, of course, three-quarters of the members of Congress. Former Christian Coalition director Ralph Reed's **$300,000 in Enron consulting payments got him on the Washington Post's front-page. In all, over the past decade, Enron tossed around tens of millions of dollars from its political piggy bank.**

Now don't get me wrong, I'm not casting aspersions on the list of Enron luminaries-far from it. This article is motivated by jealousy, not rage. To have received not so much as a nickel, while the rivers flowed into the pockets of politicians, lawyers, influence peddlers, public relations firms and think tanks-it's, well, a bit embarrassing actually. If you're missing from the Enron payload, you're no one in this town.

And so it was with great humility in early March that I had to confess to a Washington Post political reporter (who shall remain nameless) that neither I nor the Club for Growth-the organization I'm supposed to raise money for-has ever tasted from Enron's bottomless glass. Water, water, everywhere, and nary a drop to drink.

"Surely, The Club for Growth received some Enron funding?" the snooping reporter asked incredulously. "Look," I said, "we sought Enron money. Does that count?" No, I was told. Wait, I remembered, Ken Lay spoke at a Club for Growth conference last year. "Aha, and how much money did Enron pay for that favor?" the reporter asked triumphantly. Exactly zero, I had to confess.

The Post reporter was almost as shattered by all of this as I was. He was working to connect the dots on a clever and plausible theory-that The Club for Growth, which is running TV ads attacking Tom Daschle for torpedoing the economic stimulus bill, has been paying for those ads with Enron money. What a scintillating plot line! Everyone in Washington knows that Enron would have received a gazillion dollars in tax write-offs from the House stimulus bill. Oh how I wish I could have been able cavalierly to reply: "Well of course we got Enron money. Didn't everyone?"

The reporter remained dogged. "Wait a minute, isn't so-and-so up in New York on your board of directors, and doesn't his firm sell Enron securities?" Sorry, no luck. "But he's a member of The Club for Growth, right?" the reporter conjectured. "Yes, yes, that's it!" I said, suddenly exhilarated and exonerated. "You're really on to something-we do get Enron money. We do! We do!"

The story never ran.

A few days later, I was much better prepared when I was bombarded by the same set of questions from a Rolling Stone magazine "investigative" reporter (strange as that may sound). This fellow was much more self-certain and accusatory. As he pressed his case for 20 minutes, I must confess that a single thought kept dancing through my mind: If I handled this right, I could conceivably wind up "on the cover of the Rolling Stone." To try to keep the story alive without lying, I gave this bloodhound what I thought was a brilliant non-denial denial. My answers were evasive, deftly tiptoeing the border of falsehood. They were truly Clintonesque.

But, alas, so far no one from Rolling Stone has called about setting up a photo shoot.

The only notoriety that I've received from this whole scandal has been from nutty left-wing watchdog groups, who-regrettably-no one pays any attention to. A group called Mediawhoresonline.com published a piece entitled "Friends of Enron Launch Vicious Ad Attack on Daschle." (Why oh why couldn't this have appeared in Rolling Stone?) The piece's lead is so absolutely perfect that I couldn't have penned it better myself:

"In a sudden sneak attack, the friends of Enron and its deposed C.E.O. Kenneth Lay have begun running vicious personal television attack ads against Senate Majority Leader Tom Daschle. The ads are meant to terrify voters into submission over the White House economic and energy plans, plans largely dictated, we now know, by Kenneth Lay. The group claiming responsibility for the ads calls itself The Club for Growth."

And here's the kicker: "The well-financed Club for Growth, little known to the public, has numerous ties to Enron and Lay." These "numerous ties" consisted of Lay's aforementioned talk at a Club for Growth conference. Daschle's political team picked up on the story, because the next week "South Dakotans for Daschle" started running TV ads attacking the Club for Growth as a shill for Enron.

Now let's get serious for a moment here. The theory that The Club for Growth was being paid by Enron to attack Senator Daschle was always half-baked. Any semi-witted fact checker could have discovered that it was Daschle, not us, who was on the Enron gravy train over the years.

Why in the world would Enron have wanted to fund The Club for Growth or me personally, given our anti-big-government and anti-corporate-welfare stands? Enron was the ultimate Washington gold digger, always lustily seeking some "fair advantage" from a government program or policy. As my Cato Institute colleague Jerry Taylor, one of Washington's premier regulation analysts, has pointed out, Enron was the furthest thing from a proponent of the free market's invisible hand for energy and electricity policy. The company participated in nearly every cockeyed subsidy scheme Congress ever invented. It was a regular purchaser of seats on the late Clinton Commerce Department Secretary Ron Brown's famous trade missions around the globe. Enron received cash, loan and insurance transfusions from Uncle Sam via such Washington-to-Fortune-500 slush fund programs as the Export-Import Bank and the Overseas Private Investment Corp.

If there's any sane lesson that Congress should take away from the Enron political scandal (and this is assuredly both a corporate and political scandal), it is not that we need campaign finance reform-it is that we need federal spending reform. Want to get rid of corporate political corruption? Abolish corporate welfare so that Fortune 500 firms don't spend half their energy and public relations budgets farming Washington. **With $100 billion of corporate loot divvied up by Congress every year, the wonder is that there aren't 100 Enrons out there, with tentacles into every law firm, media outlet and congressional office in the District of Columbia. And perhaps there are.**

The one lesson I've learned from my 20-year experience in Washington is that corporate America is perhaps a bigger adversary to small government and the free market than even Tom Daschle. Republicans, and specifically the Bush administration-which, of course, had a particularly cozy relationship with Enron-could go a long way toward defusing the Enron crisis by calling for abolition of the Commerce Department, the Export-Import (Ex-Im) Bank and other CEO feeding troughs. That'll probably happen the day the Olympics installs fair and impartial judges at skating events. Which is to say never. Even though doing this would almost guarantee Bush's re-election-to say nothing of helping rebalance the budget.

As for me, I will continue to chase down those corporate dollars-probably futilely. I'm not a shill for companies like Enron; I'm still just a wannabe.

Stephen Moore is president of

The Club for Growth.

LOAD-DATE: June 20, 2002

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Investor's Business Daily

September 17, 2004 Friday

SECTION: SECTION A; NATIONAL ISSUE; NATIONAL EDITION; Pg. A14

LENGTH: 956 words

HEADLINE: Deregulating Electric Power: Regulators Can't Get It Right

BYLINE: BY STEPHEN MOORE

BODY:
If there's any lesson that policy-makers should have learned from the electricity blackouts throughout California in 2002 and then on the East Coast earlier this year, it is that electric power deregulation done the wrong way can cause soaring prices and leave consumers literally in the dark.

In California, homeowners and businesses had to ration electricity use, dim the lights and turn off their air conditioners. A basic service that we as Americans take for granted --the cheap and uninterrupted access to electric power for light, for heat, for running our computers, powering our hair dryers and dishwashers, and accessing the Internet -- was suddenly a scarce commodity.

Given that our electric power network is the central nervous system of the U.S. economy, we better make sure Congress and regulators get it right as laws regulating electric utilities are restructured. Disruptions in electricity supply and rising prices could bring our economic expansion to a screeching halt.

Unfortunately, federal regulators seem incapable of deregulating in ways that will benefit consumers and keep the nation's supply of electricity dependable.

Had To Back Off

Last year the Federal Energy Regulatory Commission proposed a plan to restructure the national electricity market that would have required private power generating companies across the country to come under the authority of newly created mega-Regional Transmission Organizations. The Standard Market Design would have essentially federalized electricity markets.

The plan provoked outrage from governors, state utility commissioners, consumer groups and free-market conservatives. FERC was forced to retreat.

FERC is now trying to accomplish its power grab through a series of rule-making proposals, court filings and other means of regulatory fiat. FERC wants to force local power utilities to join regional transmission organizations, which would effectively prevent them from providing a first right of service to the very customers who paid for the power plants and transmissions lines in the first place.

Cheap Power

FERC maintains that this intervention will foster competition in electricity markets, which will in turn lower utility bills. That's certainly a laudable goal. But it's hard to argue that the current system, warts and all, hasn't kept prices low.

Adjusted for inflation, electricity prices are lower now than they've been throughout most periods in history. Electricity prices haven't risen at nearly the rate that oil and other energy prices have.

So why does FERC insist on "fixing" a system that seems to be working?

Deregulation is supposed to mean fewer rules and less red tape. When Ronald Reagan lifted price controls on oil and natural gas in the early 1980s, all that was needed was a stroke of his pen on a one-page executive order. FERC needs 603 pages just to explain their plan.

In some ways, the FERC scheme more closely resembles the multi-layers of bureaucracy in the failed Hillary Clinton health care plan of the mid-1990s than a deregulation manifesto.

FERC's plan is hugely expensive. In a recent report, the Public Power Council found the costs of FERC's regional transmission organizations has quadrupled from $250 million to $1 billion from 1998 to 2004. The number of employees at the Midwest organization jumped more than 400% from 80 in 2000 to 465 in 2004.

In Texas, the numbers exploded from 50 bureaucrats in 2000 to 530 in 2004, according to the Public Power Council study.

It appears that FERC's primary goal is not to serve consumers, but rather to serve as a life raft to the merchant generating industry at the very time that Wall Street and credit rating agencies are fully prepared to bury the industry because of poor business decision-making. Standard & Poor's energy analyst Peter Rigby notes that "independent power producers gambled on a business model based on rapid and debt-funded growth."

Now these indebted power generating companies face a perfect storm of rising interest rates, soaring natural gas prices and declining electricity demand, and they want a de facto bailout from Uncle Sam.

Bailouts of bad business practices aren't consistent with a free-market model of survival of the fittest. Airline deregulation forced some inefficient airlines such as Pan Am and Eastern out of business, and others, such as JetBlue, rose out of their ashes.

In the telecom deregulatory environment, investment decisions made in the crazed late 1990s led to tens of billions of dollars in overinvestment, shareholder losses and eventual bankruptcies. Uncle Sam never rushed in to use taxpayer dollars to keep these companies afloat.

Everyone wants to ensure that captive local customers aren't price gouged by local electric utilities, which in many areas still operate as legal regulated monopolies. The goal is to eventually allow the power markets to evolve so that homeowners and businesses can purchase electricity on the national power grid from any number of competing utilities.

Lights Out

The genuine deregulation model in electricity should work very much like deregulated phone service now operates, where consumers can choose from many phone companies on the basis of reliability and cost. Under that model, long distance prices have plummeted.

FERC talks the talk of deregulation, but it intervenes in the marketplace to transform losers into winners. If FERC continues with this model, it may not be long before its phony "deregulation" scam brings the California crisis to the rest of the nation.

Congress should turn out the lights at the FERC before these bungling regulators turn the lights out on the rest of us.

is president of the **Club for Growth.**

LOAD-DATE: September 17, 2004

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Investor's Business Daily

April 28, 2004 Wednesday

SECTION: SECTION ISSUES & INSIGHTS; BRAIN TRUST; NATIONAL EDITION; Pg. A14

LENGTH: 773 words

HEADLINE: Government's Power To Tax Shouldn't Tangle Up Internet

BYLINE: BY STEPHEN MOORE

BODY:
For the past five years Congress has imposed a wise moratorium on taxation of the Internet. Over that period the Internet economy has more than doubled in size and the percentage of American homes with Internet access has nearly doubled to 75%.

This week the Senate is debating legislation on whether to extend that tax moratorium or allow states to begin taxing access to the Web. A new tax would allow states and cities to impose a de facto toll on Internet use. These tax charges could cost families as much as $150 a year and thus make the Internet too costly for many families to afford.

In other words, Congress may inadvertently widen the digital divide between rich and poor in America by taxing Internet access. Burdening homeowners with a charge to use the Internet makes as much sense as assessing a fee for checking out a book at the local library.

Party Split

Republicans are divided on this issue. Sen. George Allen of Virginia wants to make the Internet tax moratorium permanent, whereas Sen. Lamar Alexander of Tennessee wants to lift the ban.

Alexander has taken the side of governors and mayors who see the Internet as a potential cash cow to fund more public services.

On Allen's side is President Bush, who earlier this week reiterated his longtime position that e-commerce shouldn't be taxed, in line with the GOP-majority House that has passed a tax moratorium.

The big problem is Alexander and a handful of other Internet pro-tax Republicans, including George Voinovich and Kay Bailey Hutchinson.

They should understand that a tax on the Internet could do real damage to the U.S. economy just as it is getting its feet back under itself from the tech implosion of 2000-2001. After all, much of the growth of the economy in the past 18 months has come from the rebound in the technology/dot-com industry sectors.

Web Power

The original idea behind the Internet tax ban was to prevent government from slaying this golden goose technology. As Justice John Marshall once observed, "the power to tax is the power to destroy."

By making the Internet tax ban permanent, Congress has an opportunity to create a massive free-trade zone in the realm of e-commerce. In the U.S. alone, e-commerce accounted for $500 billion in business activity and employed 2.3 million Americans. The Internet sector of the economy is growing at 12% per year compounded.

Within 10 years the Internet could account for more than 10% of the U.S. economy. In other words, e-commerce is America's growth engine.

Even the uncertainty about future Internet taxes has stifled business activity. The telecommunications sector of the economy now stands ready to invest billions to upgrade the nation's communications networks and make high-speed (or broadband) Internet access available to all American homes and small businesses, as it is for large corporations today.

Opponents of the ban believe that this policy deprives state and local governments of money needed to fund vital public services. Alexander has absurdly labeled the federal ban on the Internet access taxes an "unfunded mandate on states."

But an unfunded mandate is a requirement by the federal government for the states and localities to spend money. This policy doesn't even deny states and cities a traditional revenue source.

Most importantly, the growth of the Internet and the information economy has been an enormous net positive fiscal development for the states. In the 1990s, as the Internet economy soared, state and local revenues grew at a rate three times the pace of inflation.

By the end of the 1990s, state and local government coffers were overflowing; it wasn't until the tech bubble burst that government revenues sank.

Foolish Politics

Republicans should be the party of technology, growth and the light hand of taxation. On this issue some have gotten on the wrong side of each of these principles.

Given that three out of four Americans now access the Internet regularly, this is not a demographic voter group Republicans should want to unnecessarily antagonize six months before an election. A Web access tax would mean that a family would get taxed every time it pays a bill, buys a book, or searches for information on the Internet.

A compromise is now being negotiated by Sen. John McCain to extend the tax moratorium on the Internet for four years. That would be a good start, but Republicans and pro-technology Democrats should not rest until Internet taxes have gone the way of the rotary phone, the phonograph and the dodo bird.

is president of the **Club for Growth** and a senior fellow at the Cato Institute.

LOAD-DATE: April 28, 2004

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Investor's Business Daily

March 16, 2004 Tuesday

SECTION: SECTION ISSUES & INSIGHTS; BRAIN TRUST; NATIONAL EDITION; Pg. A15

LENGTH: 750 words

HEADLINE: Administration Should Give Broadband Economy A Call

BYLINE: BY STEPHEN MOORE

BODY:

While the national press obsessed over the "jobless recovery," the U.S. economy quietly received a major shot in the arm last week. This happened when a U.S. Court of Appeals ordered the Federal Communications Commission to scrap regulations that are holding back the spread of the broadband economy.

Will the Bush administration finally embrace this victory for telecom deregulation and recognize that this is an opportunity for more jobs and more high-technology investment in this crucial election year?

The stakes here for the economy are huge. This court ruling could usher in a new high-tech stock market boom led by tens of billions of dollars of new broadband investment for such purposes as delivering high-speed Internet to the homes of millions of Americans in the months ahead. Economists estimate that as many as 1.2 million new jobs could result from expanded investment in broadband technology.

Broadband technology makes Internet service faster and allows us to instantly download text, video, music and data. Soon an individual with a PC will be able to practically download all the information contained in the Library of Congress. Broadband technology has been around for years, but only about one-third of homes have access.

Far Behind

Those without service tend to live in homes in low-income areas. Hence, government is unwittingly exacerbating the "digital divide" between the information haves and the information have-nots.

Thanks to price controls and overregulation of the telecommunications industry, America ranks a sickly 11th in per capita access to broadband service -- behind countries such as Canada and Iceland. Millions of Americans are sputtering around on the information superhighway in clunky Model Ts, and the rest of the industrialized world zooms past them in Porsches.

We continue to impose an obsolete regulatory regime on the telecommunications firms that were made worse in many ways by the "deregulation" Telecommunications Act of 1996.

The FCC requires telephone companies, firms that the regulators expect to invest $100 billion in high-speed fiber optic equipment, to allow competitors to lease their networks at below-market prices. The phone companies have balked at this deal -- and for good reason. It is the equivalent of asking a firm to build a lemonade stand but requiring the owner to let its competitors use it whenever they wish. Those rules are unfair to the investors.

One of the leading policy experts in telecommunications issues is Peter Huber of the Manhattan Institute. Huber uses this analogy to explain what has gone wrong in recent years: "We have a stupefyingly complex labyrinth of rules that regulate the price of everything. It is Hillary-care for the telecom industry."

What explains this anti-growth regulatory climate? The answer seems to be that the FCC commissioners still cling to the notion that broadband is a monopoly service and must be price-regulated.

Wrong. Now with satellite technologies, cable TV hookups and wireless connections, broadband providers will face intense market competition forces to hold prices low and to serve customers efficiently.

Now the courts have taken a major step forward in liberating this industry from regulations that inhibit the ability of the telephone companies to invest, flourish and better serve businesses and household customers. If this decision is allowed to stand and price controls are finally lifted, the broadband industry can benefit from deregulation in much the same way that energy, trucking and airlines markets were deregulated to help consumers. In each of these industries, the deregulated environment cut costs to consumers by billions of dollars a year (see chart). Airline deregulation has created mass air travel in America at cut-rate prices.

Span The Gap

The same can happen in broadband. Robert Crandall, the respected regulations economist from the Brookings Institute, believes that a more sane regulatory regime at the FCC could generate $500 billion a year in economic benefits to the nation over the next two decades. That means a faster, more efficient and user-friendly Internet for businesses, students and researchers.

The Bush administration should seize this opportunity to pump up growth and business investment by putting the FCC on a leash and letting the free-market system work to close the digital divide.

Stephen Moore is president of the **Club for Growth** and an economist at the Cato Institute.

LOAD-DATE: March 16, 2004

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Investor's Business Daily

November 5, 2002 Tuesday

SECTION: SECTION ISSUES & INSIGHTS; BRAIN TRUST; NATIONAL EDITION; Pg. A17

LENGTH: 835 words

HEADLINE: Can Democrats Regain Clout By Copying JFK's Tax Cuts?

BYLINE: BY STEPHEN MOORE

BODY:
One of the great mysteries of this political season is why the Democrats have gained no political traction on the issue of the limping economy.

Democrats claim that President Bush has a record that compares with Herbert Hoover's, but the polls show the public don't trust the Democrats to fix things anymore than they do the Republicans.

The problem for the Daschle Democrats is that they have misdiagnosed the economy's ills and their cures are worse than the disease.

The rallying cry from the Daschle Democrats is "Repeal the Bush tax cut." But now is the worst time to be raising taxes, and the tax cut has been the only positive, though modest, policy stimulant to the economy over the past two years.

Economic "Steroids'

We should accelerate the Bush tax cut; make the income tax rate cuts effective right away to provide some growth steroid injections for the high-tech-driven economy.

Supplyside tax rate cuts are an economic stimulus because they reduce the cost of investing and saving.

But investment decisions will not be made on the basis of promised tax cuts that may be snatched away at any moment by a Democrat-controlled Congress. The Democrats in Congress actually are preventing the tax cut from working.

What the Democrats refuse to acknowledge is the series of bearish missteps that have impaired growth and recovery. These include:

** Out-of-control government spending (federal expenditures are up 22% in two years).

** Rising average tax burdens for 1995-2001 (from 18% to 21% of GDP).

** Protectionist trade policies on timber, farm products and steel.

** Uncertainty about the future of the Bush tax cut.

** Irresponsible business-bashing by both parties.

To be fair, many of these blunders were committed by Bush and congressional Republicans. But the Daschle Democrats are pathetically devoid of any economically defensible plan of their own.

What we hear as priorities from the Democrats in Congress are calls for: protectionist trade policies; a new, massive, unfounded entitlement program to provide prescription drugs for seniors at a cost of perhaps $1 trillion; expanded unemployment insurance; a higher minimum wage; canceling future tax cuts; and Keynesian prescriptions of more government spending.

Al Gore recently endorsed a new $100 billion federal spending stimulus plan. Al, the only sector of the economy that has been growing of late has been government. Federal spending has soared more than $250 billion over the past two years. How much stimulus do you want?

More important, what happened to the party of John F. Kennedy pro-growth tax cutters? The Democrats have morphed into a party that reflexively just says "no" to any and all tax cuts to help the economy grow.

JFK's Tax Cuts

Daschle and Gore need to recognize JFK cut income taxes by 30% for rich and poor in the 1960s to hypercharge the Cold War economy.

Kennedy was right in 1963 when he said "a rising tide lifts all boats." He was right when he said that "An economy constrained by high tax rates will never produce enough revenue to balance the budget, just as it will never create enough jobs and enough economic growth."

Not only did the 1964 Kennedy tax cut reduce income tax rates for all Americans by 30% -- yes, even for the rich -- but JFK also cut the capital gains tax.

Here's what he said about capital gains taxes back in 1963: "The tax on capital gains directly affects investment decisions, the mobility and flow of risk capital . . . the ease or difficulty experienced by new ventures in obtaining capital, and thereby the strength and potential for growth in the economy."

History proves JFK right.

The capital gains cut enacted by a Republican Congress but signed into law by President Clinton in 1997 had a profound impact on the economy.

The revenues from the tax surged from $50 billion in 1996 to more than $100 billion in 2000. The venture capital funding for new high-tech firms that are major innovators and employers of high wage workers more than doubled.

The stock market soared.

Igniting Growth

If we were to marry a capital gains cut with a 2 percentage point reduction in the anti-worker 15% payroll tax, the might of our industrial base would ignite in much the same way as Popeye's muscles burst when he swallows a can of spinach.

Will these tax cuts drain the treasury of tax cuts that are essential to fund vital public services?

Just the opposite. The budget deficit and state budget woes are due to too little economic growth.

If we can get back to a 4% growth rate, federal revenues over the next decade will grow by nearly $2 trillion more than they will if economic growth remains at 2%.

So my free, unsolicited advice to the Daschle Democrats is this: Embrace the JFK formula for growth. A rising tide really does lift all boats.

Stephen Moore is president of the **Club for Growth**. This article is adapted from Mr. Moore's testimony at the Democratic Economic Summit in Washington last month.

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Investor's Business Daily

September 25, 2002 Wednesday

SECTION: A; NATIONAL ISSUE; NATIONAL

LENGTH: 808 words

HEADLINE: Will Tax Cuts For Investors Be Victim Of Deficit Battle?

BYLINE: BY STEPHEN MOORE Stephen Moore

BODY:
Just a few days ago it seemed that President Bush was on the verge of endorsing a major investor class tax cut to put some steam back in the economy and the stock market.

Now that plan seems to have been hijacked by congressional Republicans, who worry tax cuts could drive up the budget deficit, and Alan Greenspan, who fears tax cuts will drive up long-term interest rates.
Don't listen, Mr. President.
The tax cut critics are dead wrong -- especially Greenspan.

History proves that tax cuts have tended to correspond with lower long-term interest rates, not higher rates.

President Reagan's tax cuts helped cause interest rates to fall from 15% in 1980 to half that level by the time he left the White House in 1989.

Critics complained that Bush's first tax-cut package would cause interest rates to rise.

Instead, rates have fallen to their lowest levels in decades. If a Bush investment-oriented tax cut were combined with a modicum of fiscal discipline on the spending side of the federal ledger, interest rates would surely fall -- not rise.
Deficit Worries

The budget deficit, which has risen to $160 billion this year, is surely a concern.

But the rise in the debt is being driven by the absence of economic growth. Tax revenues are flat because investors aren't investing, corporations aren't making profits, and wages are stagnant.

A capital gains cut and a more even-handed approach to taxing dividends would be like delivering CPR to the moribund financial markets, which are suffocating from a lack of investment capital.

Bush can't wait any longer on a tax-cut initiative. There are some 90 million investor class Americans who have lost more than $2 trillion in wealth over the past year and a half.

Low interest rates have helped keep the housing market soaring, but it's hard to see how home values can remain so vibrant when Americans have suffered such dramatic losses in their stock portfolios.

The formula for an economic recovery and a stock market rebound is clear: We need to cut the excessive -- even punitive -- tax on investment in America.
We should:
Immediately cut the capital gains tax on ALL new investments.
Eliminate the double taxation of dividends.

Expand tax-free IRA accounts to enlarge the pool of savings that entrepreneurs and venture capitalists can draw upon for job-creating new business ventures. Without new businesses, there'll be no new jobs.
White House Meeting

Two weeks ago I and several other economists in Washington met with Bush's chief economist, Larry Lindsey, to press the case for precisely this kind of investor class tax cut.

We had the backing of some of the smartest economic minds in the country -- including Charles Schwab and Steve Forbes.

We all agreed that these investor tax cuts could rally the market and reverse the malaise that has infected the U.S. financial system this year.

The fact that we may be on the eve of fighting a war against Saddam Hussein makes the case for a tax cut all the more persuasive and urgent.

An investor tax cut will re-energize our industrial and high-tech sectors. The last capital gains tax cut in 1997 caused a huge burst in entrepreneurial activity and a surge in venture capital funding.

Reagan cut taxes during the most frigid days of the Cold War -- which only increased America's economic and military superiority and contributed to success.

Some cowardly congressional Republicans are spooked by Democratic Senator Majority Leader Tom Daschle's anticipated class warfare rhetoric.
But why?

Americans support pro-investor tax cuts. By some estimates, two-thirds of the voters who go to the polls in November will be stock owners. They don't buy into the greed and envy attacks of the Daschle Ds.
Who Are Those "Rich"?

As the data clearly show, 70% of those who have capital gains have incomes below $100,000, and four of 10 have incomes below $50,000. That doesn't sound too rich to me.

Bush must stop listening to the irrational advice of Alan Greenspan and Tom Daschle, both of whom are opposed to tax cuts -- if for different reasons.

Instead he should focus on the bottom-line economic interests of the people who elected him -- voter capitalists who are desperate for a stock market rally.

These are patriotic Americans who haven't sold out since 9-11. They have kept their investments and their confidence in America. They suffered losses for reasons outside their control. They should be rewarded.

If Bush will fight for a middle-class investor tax cut with the same zeal and persuasiveness that he has fought the terrorists, he will become politically invincible and will be re-elected in a landslide.
Maybe that's the real reason Daschle so adamantly opposes a tax cut.

is president of the Club for Growth and a member of the Investor's Business Daily Brain Trust.

LOAD-DATE: September 25, 2002

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Investor's Business Daily

June 11, 2002, Tuesday

SECTION: A; Pg. 16

LENGTH: 856 words

HEADLINE: Gov't Spending Grows Faster Than U.S.' Private Economy

BYLINE: By STEPHEN MOORE, Investor's Business Daily

BODY:
Last month the Commerce Department declared that the gross domestic product grew an impressive 5.6%, thus signaling that America is in official economic recovery. But is it really? Amid all the hoopla about the impressive growth was one sobering detail that most economists overlooked. The fastest growth component of the economy was not housing, technology, retail or construction. It was government spending. Government purchases are up by more than 9% this year, while the rest of the economy grew at only half that pace. We're now in the third straight year where government budgets have outpaced private sector expansion. In 2001, for example, government at city, state and federal levels grew by 6%. The private sector barely kept its head above water, growing by an anemic 0.5%. From an economic recovery standpoint, there could hardly be worse news. Real wealth creation is driven by private businesses, entrepreneurs and investors, not by putting more government bureaucrats to work. Recession Or Not? There's a lot of argument whether the U.S. economy ever sank into an official recession - defined as two straight quarters of negative growth - last year. Economist Larry Kudlow has pointed out that, yes, we were in a private sector recession. In the second quarter the private economy shrank 0.2% and in the third quarter it fell an additional 3.3%, while our recession-proof government continued to flourish. My estimate is that federal spending will rise $ 150 billion to $ 200 billion this year, more than the entire GDP of many countries. Just the increase in government spending in 2002 will be more than twice the entire amount of money raised for the ailing venture capital industry. What's wrong with this picture? Like a retired swimsuit model, the U.S. economy is putting on weight in all the wrong places. We are pickpocketing dollars from business owners, entrepreneurs, venture capitalists and investors, and allowing those funds to be spent by Congress and government agencies instead. From an economic-efficiency standpoint, this makes about as much sense as having Britney Spears pinch-hit for Barry Bonds. Most Expensive Ever This is a broad-based expansion of government. In the past 12 months, Congress has passed the most expensive education spending bill ever, the most expensive farm welfare bill ever and it will soon enact the most expensive foreign aid bill ever. It also wants to pass the costliest new entitlement program - taxpayer-financed prescription drug benefits for seniors with a potential price tag of $ 400 billion over 10 years - since LBJ created Medicare 35 years ago. All of this is happening on top of the $ 100 billion in extra funds that Congress has rightly devoted to the war on terrorism. But even here, Congress has larded anti-terrorism spending bills that are crucial to our national security with billions of dollars of pork spending for projects ranging from skating rinks to casino industry bailouts. Some economists, still slavishly devoted to John Maynard Keynes' bankrupt Depression-era theories, look at the economic numbers and say: Thank goodness the government stepped in when it was needed to keep the economy moving. But this is bunk. Government growth does not in any way boost private business activity. It crowds out private activity. The government spending binge is one of the most dangerous and bearish indicators of the American economy's direction. We're foolishly following in the Keynesian footsteps of Argentina and Japan, two of the nations with the biggest bloat in government in recent years. Government didn't stimulate those economies, it plunged them from recession to depression. In turn, trillions of dollars of wealth have been destroyed. Nobel economist Milton Friedman famously taught us all many years ago that "there ain't no such thing as a free lunch." The real resources in the economy captured by government for additional public-sector spending can come from only three sources: taxes, debt or inflation. The buildup of any one of these funding sources can have influenza virus effects on a capitalistic economy. In the 1970s, all three accelerated at once, and the U.S. industrial economy collapsed until rescued by Ronald Reagan's supply-side and limited-government ideas. Big Government Returns It is a strange quirk of statistics that we even count an increase in government spending as a plus for the economy. This convention of counting government spending as an asset rather than a liability creates the illusion that bigger government means more prosperity. Where on Earth has that ever been the case? Certainly not the former USSR, East Germany or now Japan. So no, we must not applaud this re-emergence of the era of Big Government. The $ 2.2 trillion federal enterprise is an anchor on growth, not a sail. Its burgeoning budget has arguably become the single greatest threat to a sustained recovery, stock market revival and return to the virtuous free market-induced prosperity of the 1980s and 1990s. Stephen Moore is a senior fellow at the Cato Institute and president of the Club for Growth.

LOAD-DATE: June 11, 2002

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Investor's Business Daily

February 26, 2002, Tuesday

SECTION: A; Pg. 16

LENGTH: 729 words

HEADLINE: Got Stimulus? Broadband Bill Would Beef Up Frail Economy

BYLINE: By STEPHEN MOORE, Investor's Business Daily

BODY:
With Congress stalemated on a tax-cut economic stimulus plan and the White House considering approval of a dreadful protectionist steel bill, the jittery financial markets are seeking any positive signs that Washington will take productive action to help jump-start economic growth. No industry needs more intelligent help than the embattled telecommunications sector, where profits and investment spending have vaporized. That's why a vote in Congress this week on deregulation of the broadband infrastructure carries such heavy significance for the economy as a whole, and this industry in particular. If approved, the Tauzin-Dingell bill has the potential over the next decade to bring high-speed Web service to nearly every U.S. home. Broadband service is the Mach 4-speed Internet technology that will bring to Americans the next generation of Web services. It could transform the Web from a device for exchanging e-mail and checking stock quotes into a tool that will link all businesses in an e-commerce Web, let users quickly download video or music on demand and give rise to products and applications we can only dream of today. Economist Robert Crandall of the Brookings Institution, and a top deregulation scholar, calculates that if we can accelerate broadband deployment, the value to the U.S. economy could reach $ 500 billion a year. That's more than the entire economies of most nations. Very few actions that Congress could take - short of scrapping the income tax for a consumption tax or privatizing Social Security - could deliver those size benefits to workers and consumers. Broadband deregulation would seem to be a no-brainer. But this issue has become the mother of all political brawls, pitting AT&T against the Baby Bells, including Verizon and BellSouth. Both sides have spent tens of millions on lobbying and fatuous TV ads. The truth is, there's no angel in this fight. The good news is that if Congress shows some common sense, there can be clear-cut winners here - American consumers and businesses, tens of millions of whom lack broadband access simply because of a regulatory regime that prevents access to the infrastructure. Almost eight of 10 homes and businesses still use clunky dial-up technology to access the Web. Broadband technology is more than a decade old, and still is a rarity in most areas. This makes no sense. It's as if we're still watching black-and-white TV. A hallmark of the U.S. era of high-tech innovation has been to spread the technological breakthroughs to the great middle class in short order. Why the still-lingering digital divide between the information haves and have-nots? Because outdated government regulation is stifling the private-sector investment needed to build the network. Technology analyst George Gilder argues that today's regulation "privatizes the risk and socializes the benefit." Here's how it works: When a phone company risks its own money to wire homes and businesses to broadband, the federal government forces it to open its network to competitors at money-losing, government-set rates. This prevents the original investors from capturing the full value of the risk-taking expenditure. A predictable result has been the collapse in telecom investment over the past 18 months. In 2001, telecom investment contracted by $ 75 billion, a 15% decline. That's one of the biggest reasons the industry shed over 317,000 jobs last year - the largest job loss for any industry ever recorded in a single year. By some estimates, it will cost telecom companies some $ 200 billion of added broadband investment to lay down the cables to bring this technology into most homes and businesses. How can this investment be accelerated? One answer is for Congress to let businesses write off their mega-investments the year they're made. It also must create a fair-minded regulatory structure that allows those firms that make the investments to reap financial rewards. This means eliminating free-riding competitor access without fair payment. Tauzin-Dingell may be the best chance to close the digital divide and ensure that the U.S. maintains its commanding competitive edge in global communications into the future. It might also be the only chance Congress has this year to pass a genuine economic stimulus bill. Stephen Moore is president of the Club for Growth.

LOAD-DATE: February 26, 2002

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Investor's Business Daily

September 18, 2001

SECTION: A; Pg. 18

LENGTH: 826 words

HEADLINE: Note To Congress: Make The Enemy Sacrifice Instead Of The Citizenry

BYLINE: By, Investor's Business Daily

BODY:
By Stephen Moore Polls indicate that we Americans are almost universally united in our desire for the federal government to expend whatever resources are required to exact retribution against those nations and fanatical organizations that have assaulted the U.S. in such a mindless and terrible fashion. But this protracted war against terrorism cannot be won merely with military weapons and strategic strikes. Last week's hijackings were not simply acts of political terrorism and religious fanaticism. They were also a tactical assault intended to cripple our system of free market capitalism. The World Trade Center was the ideal target for the terrorists and their evil ideology, because it was the very beacon of America's economic muscle. America's Industrial Might Congress acted swiftly in approving the billions of dollars necessary for a massive military response against terrorism. But where is the economic response? The U.S. economy was already teetering on the verge of recession before these planes struck their targets. Now a recession is almost a certainty. The only issue is: How long and painful will it be? It could get very ugly fast. If we allow our economy to falter, this may be handing our diabolical enemies their greatest victory of all. A recurring lesson of American history is that we have won every major war because we had industrial might that simply overwhelmed our foes. Rapid economic growth was instrumental in winning the Cold War. Ronald Reagan proved brilliantly in the 1980s that we can, if we simply get our economic policies aligned correctly, afford to pay for guns and butter, whereas our enemies with their inferior economic systems must choose between the two. Yet some analysts propose raising taxes, which would hamper our industrial capacity to finance the wartime spending. We shouldn't talk of economic sacrifice at a time like this. To paraphrase the great Gen. Patton, let's make our enemies sacrifice, not our fellow Americans. We know what it takes to ignite rapid growth. The issue is whether we can lay aside petty debates about class warfare and "fairness" and distributional politics. In this time of crisis, all Americans will benefit from growth: our soldiers, our farmers, our union workers, our shareholders and especially our children and grandchildren. An Economic Program Here are the steps that Congress should take as part of this Declaration of Economic War: First, cut the capital gains tax in half, retroactive to Sept. 11. Nothing else would give battered Wall Street the boost it needs as effectively as this measure. This will immediately help entrepreneurs find seed capital for their new businesses. It will also help reverse the bear market in stocks by immediately increasing the after-tax rate of return on all equities. Second, immediately expense all capital purchases by business. This would jump-start our moribund manufacturing sector. For more than a year, businesses, especially manufacturers, haven't been investing in new factories, equipment, technology, R&D and other big-ticket expenditures that promote expansion of output and higher worker productivity. The budgetary cost of expensing capital purchases by business is about $ 80 billion a year. But the cost of recession is a lot higher than that. Third, roll back the regulatory regime. For example, the lawsuit against one of America's greatest corporations, Microsoft, should be ended through a declaration by the president. Four, prohibit monopoly oil pricing by OPEC. President Bush must declare that freedom-loving nations must not profiteer in the war against terrorism. This is especially crucial for two reasons: First, high oil prices are like a tax on American businesses and consumers, and thus undermine our ability to wage this war. Second, we know that almost all terrorist groups are funded by windfall monopoly oil profits extracted by OPEC nations. The single most useful act of cooperation by the Saudis, the Kuwaitis, the Venezuelans and other nonrogue oil exporting nations would be to dramatically increase oil production to drive the price down to the $ 15-$ 20 a barrel range, which still gives these oil-producing nations a healthy profit. Victory Over The Enemy Bush and Congress acted within a week to authorize the first stages of a military plan to defeat terrorism. Every day that our stock market plunges further into bearish territory; every day that consumer confidence sinks; every day that the dollar loses value; every day that more layoffs and bankruptcies are declared is a victory for the terrorists who are trying to destroy our way of life - in much the same way as if they had reduced to rubble another one of our towering industrial icons on Wall Street. Restoring prosperity to our economy - quickly - would be one of the sweetest forms of revenge against those who hate us. Stephen Moore is president of the Club for Growth.

LOAD-DATE: September 18, 2001

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Investor's Business Daily

June 27, 2001

SECTION: A; Pg. 18

LENGTH: 803 words

HEADLINE: Nothing Ventured: High Cap Gains Tax Rate Stalls Critical Investment

BYLINE: By, Investor's Business Daily

BODY:
By **Stephen Moore** Lord, what fools these mortals be! The majority of economists, politicians and journalists keep insisting that the problem with the U.S. economy is weak consumer spending. They're plain wrong. The real economic malady is declining investment. If you don't believe me, just take a hard look at the data. The venture capital industry is suffering from drought conditions. In 2000, financiers provided $ 87 billion of high-risk capital funding for entrepreneurial start-up companies. But over the past 18 months, the pace of venture capital funding has plummeted more than 60%. Venture Capital Funding Plunges Preliminary estimates from a survey by PricewaterhouseCoopers are that for the first half of 2001, venture capital funding will be less than $ 20 billion. It's no coincidence that that's almost exactly the percentage decline in the Nasdaq from its high of 5000 last year. Venture capital is the seed corn for high-tech start-ups. These are arguably the most essential invested funds in our information-age economy because they finance high-risk but potentially high-payoff enterprises. Most every successful telecommunication, pharmaceutical, aeronautics, electronics, software and semiconductor firm started in the U.S. over the past 20 years was nurtured in its infancy stage by angel investors and venture capitalists. In some cases, venture capitalists have hatched whole new high-tech industries. Now that funding is vanishing, entrepreneurs are starved for financing, which is preventing promising new ventures from lifting off the planning board table. This is the real long-term haunting threat to the American economy, as opposed to the slight slump in consumer spending that so many of the academic and Wall Street economists keep fretting over. What have policy-makers done to try to help nurse the venture funding industry back to good health? So far, surprisingly, nothing. What could be done? Well, we know from the past 20 or so years of experience that venture capital funding levels are highly sensitive to the capital gains tax rate. New commitments to venture capital firms accelerated from a piddling $ 70 million in 1977, when the top marginal rate was 49%, to $ 5.1 billion by 1983, when the rate had dropped to 20%. This was a 7,000% rise in capital raised for new companies. A Congressional Blunder Then in 1986 Congress did a very stupid thing: It raised the capital gains tax from 20% to 28%. The growth spurt in these high-risk pools of capital stalled. In 1986, real venture capital funding for promising young firms was $ 4.19 billion, but this level fell to $ 1.41 billion in 1991 - a two-thirds reduction. In 1986, 1,512 firms received funding. That number had fallen to a minuscule 800 by 1991. Then after the 1997 capital gains cut there was a nearly fivefold power surge in venture financing - until the recent downturn. This inverse relationship between the capital gains tax and the level of risk-capital financing makes intuitive sense. If you're going to risk a lot of your money on a long-shot investment - which is what almost all entrepreneurial efforts are - you want to make sure that if your horse comes in, the Internal Revenue Service won't snatch away your profit. In an ideal world, of course, there wouldn't be any capital gains tax because these funds have already been taxed once, when the original funds were earned by the investor. The economist Art Laffer says the actual optimal capital gains rate is negative, but let's not get greedy. In any case, the higher the capital gains tax, the lower the after-tax rate of return on venture capital investment dollars. Cutting Capital Gains Tax Is Key If the tax becomes too confiscatory, people will simply invest in bonds or relatively reliable blue chip stocks. That's what's happening now. The ratio of the Dow to the Nasdaq is a convenient, if imprecise, way to measure investors' willingness to take risks. That ratio has risen a lot in the past 18 months. Risk aversion is the reigning sentiment on Wall Street these days. If we were to cut the current capital gains tax rate from 20% to 15%, and make that cut effective on July 1, as Rep. Pat Toomey, R-Pa., has proposed, this would immediately help revive this now-dormant sector of the financial markets. Toomey's worried that "we still haven't done enough in Congress to accelerate the economy in the near term." He's right. A capital gains tax cut would provide exactly that spark - and it would cost nothing, because, as history proves, rate cuts pay for themselves. This leaves one outstanding question: What in the world are the politicians waiting for? Stephen Moore is president of Washington, D.C.-based **Club for Growth**, a political action committee which supports free-market candidates.

LOAD-DATE: June 27, 2001

Investor's Business Daily

January 9, 2001

SECTION: A; Pg. 24

LENGTH: 678 words

HEADLINE: Eroding Competition: The SEC Could Give Nasdaq A Big Edge Over Many Investors

BYLINE: By, Investor's Business Daily

BODY:
/By **Stephen Moore** A hallmark of the U.S. financial system is near-perfect competition. Our multitrillion dollar markets have made us all price takers - whether we're trading billion dollar accounts at Goldman Sachs or creating our own small savings nest eggs. American capital markets work with superefficiency because investors here and abroad have full confidence that the system isn't rigged against them. This confidence may be shaken by a pending decision expected from the Securities and Exchange Commission this week. The SEC is poised to approve an anti-competition plan that would allow the Nasdaq to move into the trading realm. The Nasdaq is, at present, similar to a regulated utility. It is a franchise worth an estimated $ 200 million a year for quoting the stock prices for some 5,000 companies with an estimated net value of $ 4 trillion. Nasdaq-traded companies include Cisco, Microsoft and Intel. The exchange has monopoly authority for listing stock prices, a task it has performed with great skill for years to the benefit of investors. But if the SEC gives the Nasdaq the authority to conduct trades as well, the Nasdaq will have a huge advantage over other traders. This would particularly hurt small investors. If the Nasdaq wants to move into trading, it should give up its exclusive right to operate the stock trading bulletin board. To allow the Nasdaq to do both activities would be like setting up a silent auction system wherein one of the bidders is given the opportunity to look at all the other bids before making his own. The referee in the game must not also be a participant. The Nasdaq proposal, called SuperMontage, would also rank investors' orders to buy or sell their stocks. But not all orders would be created equal. Small investors, who buy and sell securities through stock trading systems where no middleman is required - called electronic communications networks or ECNs - would have their orders pushed to the back of the line. This could force them to buy at higher prices or sell at lower ones. The orders from big Wall Street securities firms like Morgan Stanley could jump ahead of investors trading through ECNs, like Instinet and Archipelago. Why should this matter to investors? Because it's estimated that the ECNs save investors more than $ 1 billion a year, and they offer stock buyers and traders the best price at least half the time. Not surprisingly, the ECNs have loudly protested this proposed anti-competitive arrangement. Archipelago CEO Gerald Putnam warns that the SuperMontage plan would "cause substantial harm to competitive forces in the marketplace for over-the-counter securities." These firms have a lot to lose given that they trade tens of billions of dollars a year in Nasdaq stocks. But other impartial commentators have raised concerns. The Consumer Federation of America opposes the plan, which it describes as "investor unfriendly." Barbara Roper of the CFA maintains that the Nasdaq scheme could harm investors by pulling business away from the ECNs and thus reducing the liquidity of the market. "We are disturbed by the degree to which SuperMontage, as currently proposed, would discourage aggressive quote competition by accommodating and even encouraging market participants to trade ahead of previously displayed customer limit orders that set a new best price." Senate Banking Committee Chairman Phil Gramm has taken a dim view of the proposal as well. But will SEC Chairman Arthur Levitt? The Nasdaq has a statutory obligation to remain absolutely "neutral with respect to all market centers, market makers and private firms." The SuperMontage plan appears to violate that principle. The SEC and Congress should be hyperaggressive in maintaining the competitive nature of our capital markets. The new Nasdaq proposal would squelch, rather than expand, competition. It's hard to see how the people the SEC was first and foremost created to protect - mom and pop investors - could possibly benefit. Stephen Moore is president of the **Club for Growth**.

LOAD-DATE: January 09, 2001

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Investor's Business Daily

October 19, 2000

SECTION: A; Pg. 32

LENGTH: 693 words

HEADLINE: Gore's Envy Politics: He Hits The Rich, Even As They Pay Most Of The Taxes

BYLINE: By, Investor's Business Daily

BODY:
By Stephen Moore Whenever Democrats get really desperate, they roll out their arsenal of class-warfare weapons. On the campaign trail, Al Gore continues to rail against George Bush's tax cut for the wealthiest 1%. Isn't it strange that the only group you can legally discriminate against in America today is made up of the wealthiest and most productive of our citizens? The good news is that the more Gore assaults the Bush tax cut, the higher Bush rises in the polls. But class warfare is a cancer cell, and the Bush campaign needs to launch a much more vigorous counter-attack against greed-and-envy politics. The Bush team must argue that class warfare is fundamentally un-American, subverting the honored American ideal that success and reward are interlinked. The vast majority of those in the top 1% are rich because of hard work, not luck. More than two out of three Americans on the Forbes 400 list are self-made men. Most of those who fall in the top 1% of wealth are people who've made the rest of our lives better by giving us goods and services we want and willingly pay for. Unlike Gore and Dick Gephardt, most Americans view the wealth creators of our society with admiration, not antipathy. A recent poll finds that a larger percentage of Americans have greater respect for Bill Gates than Bill Clinton. As he did in Tuesday's debate, Bush should continue to remind Americans that the tax burden is carried disproportionately by the people Gore is attacking. The top 1% make 17% of the money in this economy, but they pay 33% of the income taxes. How is that fair? The top 5% make 33% of the income, but pay 52% of the taxes. Meanwhile, the bottom 50% pay less than 5% of the income taxes. Finally, with the stock market in the doldrums of late and the great investor class of Americans getting increasingly nervous about the declining value of their asset holdings, tax cuts should be vigorously defended as a proven way to keep the prosperity on track. History proves that tax rate reductions typically generate more economic growth, more wealth creation and thus more tax payments by the affluent. There were three periods of tax rate reductions in the U.S. in the 20th century - during the 1920s, 1960s and 1980s. Each time tax rates were cut, the economy soared and tax collections from the wealthiest 1% of Americans soared. In the 1920s and 1960s, the economy grew by nearly 4% per year and tax collections, especially those paid by the wealthy, more than doubled. After the Reagan tax cuts in 1981, the income tax share paid by the top 1% rose from 16% in 1980 to 26% by 1990, according to the Tax Foundation. Total tax revenues after the 1980 tax cuts doubled from $ 500 billion in 1980 to $ 1 trillion by 1990. One of the greatest economists and social philosophers of the past two centuries was Henry George. Here is one of my favorite passages from the great author. It was written more than 100 years ago, but it has great relevance to today's political debate: "Taxes operate upon energy and industry, and skill and thrift, like a fine upon those qualities. If I have worked harder and built myself a good house while you have been contented to live in a hovel, the tax gatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am taxed, while you are exempt. If a man builds a ship, we make him pay for his industry as though he has done injury to the state; if a railroad be opened, down comes the tax collector upon it, as though it were a public nuisance; if a factory be erected, we levy upon it an annual sum that would go far toward making a handsome profit. "We say we want capital, but if anyone accumulates it, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain, we fine him who builds machinery or drains a swamp." Somebody please get this in the hands of George Bush. There is no more eloquent defense of his tax plan. Stephen Moore is president of the Club for Growth and an adjunct fellow at the Cato Institute.

LOAD-DATE: October 19, 2000

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Investor's Business Daily

August 22, 2000

SECTION: A; Pg. 14

LENGTH: 684 words

HEADLINE: An Uninvited Guest: Will The Ghost Of Keynes Hang Over Fed Meeting?

BYLINE: By, Investor's Business Daily

BODY:
By Stephen Moore and Roman Lyniuk The Federal Reserve meeting scheduled for Tuesday is certain to address the widespread perception that the United States is moving toward an inflationary precipice. The Fed's objective is to ward off this threat with interest-rate hikes. Never mind that the Keynesian economics underlying this strategy has been utterly discredited. High wages and low inflation are not at all incompatible. Indeed, there is no such thing as wage inflation. Inflation is too much money chasing too few goods. As long as wages increase at a rate lower than increases in productivity, which is the present trend, there will be no inflation. No sensible doctrine purports that low unemployment and prolonged economic growth above any level must necessarily result in inflation. Yet Alan Greenspan and his governors monitor nervously what they call an "Output Gap Model." The gap between 4% and 6% economic growth is viewed by them as unsustainable, and would necessitate proactive interest rate increases to slow the economy to sustainable levels. They fear that output differential will spark supply and demand imbalances - an assumption connected to Keynesian economic theory, which asserts an ironclad trade-off between economic growth and inflation. But this analysis is wrong. As inflation drops closer to zero, economic growth accelerates and the level of unemployment drops. Lower levels of inflation have the same effect as a tax cut. Economic growth doesn't cause high inflation. On the contrary, it exists because inflation has declined. Exuberant stock prices are not the problem. An irrational Fed policy, however, could become a major one. By threatening the financial markets with interest-rate hikes, the Fed is in danger of damaging the real economy and the creation of jobs and wealth. Proactive monetary and fiscal policies tend to exacerbate the economic boom and bust cycles, whereas economies that are not fine-tuned or micromanaged by central planners sustain higher economic growth and lower levels of inflation, without exception. It wasn't long ago that James Baker, treasury secretary under Ronald Reagan, attempted to engineer a lower dollar to correct the trade imbalance with Europe and Japan. His understanding of economics led him to the conclusion that the dollar would have to be aggressively devalued to return the nation to an equilibrium of trade. Losing his patience and temper, Baker warned the Europeans and Japanese that if they didn't start importing more American goods, he would devalue the dollar significantly. Fund managers took him at his word. Faced with the possibility of significant devaluation in all their assets priced in dollars, they decided to sell on that disastrous Monday in October 1987. Like Baker, Greenspan is acting in what he believes to be the national interest. But the Fed chairman has no business targeting stock prices. A humble economist would conclude that the stock market is a measure of economic success. The movement of prices tells him everything he needs to know about the health of a market economy. In an inflationary environment, the dollar would be declining along with the price of bonds and stocks. Gold and commodity prices would be going up. The magnitude and rise of asset prices in the United States, then, is a reflection of the magnitude and success of the underlying economy. Would that the Fed recalled Milton Friedman's observation that inflation "is a monetary phenomena, in every country and at all times." Instead, the Fed adheres to a defunct set of Keynesian economic principles. Consider where those principles got us in the 1970s. They severely debilitated the country with double-digit inflation and unemployment. Keynesians set out to save capitalism from itself and ended up crippling it. It is the growth of this hubris of centralized planning that really needs to be arrested. Stephen Moore is president of The **Club for Growth** in Washington, D.C. Roman Lyniuk is a hedge fund manager at Atlantis Capital Markets and a member of The **Club for Growth**.

LOAD-DATE: August 22, 2000

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The Washington Times

December 15, 2004 Wednesday

SECTION: COMMENTARY; Pg. A15

LENGTH: 817 words

HEADLINE: FCC broadband disconnect

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

President Bush has called for universal broadband by 2007. That's a critical goal, since there are more than a dozen countries that have greater Internet access for its citizens and businesses than we do. But does the White House understand that his own Federal Communications Commission is inhibiting this goal?

Specifically, the FCC is going to decide this week whether to promulgate new regulations that would allow the competitors of the incumbent telephone companies - the "Baby Bells" - to have access to the infrastructure that the phone companies built with billions of dollars of private investment capital. Yes, of course, competition is a desirable goal. But if the government mandates that the privately financed infrastructure must be shared by all competitors, who will make the initial investments in the first place?

Telecom-infrastructure development is absolutely crucial for U.S. economic growth. This is an industry with plans to invest upward of $100 billion in new generation fiber optic communications networks, which is good news for workers, technology businesses and homeowners who need to be hooked up to high-speed Internet.

In many ways, Michael K. Powell's FCC has delayed this dynamic investment process. The FCC remains fixated on a reregulation model of telephone and Internet communications, when the very intent of the landmark Telecommunications Act of 1996 was to inspire deregulation and a pro-consumer, survival of the economically fittest model.

From the perspective of the rule of law, the Constitution prohibits an uncompensated taking of property, which is what these regulations would in effect mandate. The idea behind the original 1996 legislation was to allow new start-up telecom companies to have some access to existing networks, so they could reach a stage of economic maturity that they were capable of competing on their own. After eight years, it is certainly time to allow these upstart competitors, some of which succeeded and many which still are not profitable, to sink or swim.

Since 1996, the FCC has produced three sets of rules to regulate telecommunications access. Each has been rejected by either the D.C. Circuit Court or the U.S. Supreme Court. Each time, the courts provided guidelines for a new iteration of the rules and, each time, the FCC produced a revision that failed to meet those guidelines.

The courts have already admonished the FCC that its previous attempts indicate an "unwillingness to adhere to prior judicial rulings." Yet reports suggest that the latest attempt is an instant replay of what has gone before.

One problem with the FCC's latest regulatory proposal is that it misunderstands the nature of competition. The courts have told the FCC repeatedly (and correctly) that a competitive market is defined by whether competition is possible - not whether competition is actually taking place. Gatorade dominates the sports drink market, not because it's a monopoly with barriers to entry, but because no other company can make a better thirst quencher. A company may come to dominate a competitive industry simply because it makes a better product, not because it is restraining trade and competition.

The FCC rules being proposed to ensure competition border on the absurd. The FCC is considering a regulatory regime that would create a telecommunications-competition analysis of every commercial office building in the United States. This would take a new army of regulators to enforce and adjudicate. This kind of central planning seems to be precisely the opposite of what a dynamic, information-age industry should be required to reckon with.

A better approach is to let the free market work its course. If competitors wish to hook up to existing networks, let the market set the price. Right now, telecom competitors to the phone companies can connect to the incumbent's network using a service that has existed since before the 1996 Telecom Act was passed. The FCC, instead, wants a price-control regime under which regulators decide a fair market value. These prices will certainly be discounted well below fair-market rates. The cost to consumers is that this will deter future growth of the network so vital to future economic growth.

If the FCC proceeds with its latest regulatory scheme, it may soon find itself in the embarrassing situation of again being turned down by a court whose patience has already been tried. All of this legal wrangling is bad for the markets and bad for the telecommunications and related high-tech industries. In practical terms, that has meant and will continue to mean delays in delivering new services such as broadband to customers, and the slower creation of new jobs and economic growth.

Correct me if I'm wrong, but aren't these precisely the goals that the FCC is supposed to be advancing.

Stephen Moore is president of the **Club for Growth** and a senior fellow at the Cato Institute.

LOAD-DATE: December 15, 2004

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The Washington Times

November 14, 2004 Sunday

SECTION: COMMENTARY; Pg. B03

LENGTH: 567 words

HEADLINE: Litigious risks to your health

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

This year's flu vaccine shortage is turning into a public health crisis: Up to ten million more Americans are expected to get the flu this year, according to the group Corporate Wellness. Lost work due to sick days is expected to cost the economy more than $20 billion.

Americans are worried and furious. A recent AP poll found more than half believe their own health or that of a family member will be imperiled due to the vaccine shortage.

Even more maddening are the waiting lines to get the vaccine. We might have expected this from the old Soviet Union, but not from our American health care system.

The Wall Street Journal reports other vital vaccines are also at risk. We could soon face a catastrophic shortage of vaccines to combat measles, chicken pox, tetanus, polio and other life-threatening viruses.

In the 1960s and 1970s, the United States had 26 vaccine manufacturers. Now we are down to just four. There is now only one vaccine manufacturer for each virus mentioned above.

The explanation is politicians and trial lawyers. Drug companies can't make profits from producing vaccines any longer because of product liability lawsuits.

In 2002, the entire global vaccine manufacturing industry had roughly $6 billion in sales. But that same year, trial lawyers sought $30 billion in damages against the industry in just one lawsuit. The damages sought by the lawyers were fivefold the entire industry's net income. And now more than 350 similar lawsuits are pending.

So the trial bar has destroyed a critical medical industry. Congress has the power to fix this crisis.

Why hasn't it? The reason is the trial lawyers' massive political clout. Last year, President Bush and Congress tried to shield American manufacturers from frivolous lawsuits and cap damages, but the legislation was squashed by the trial lawyers.

The trial lawyers are the No. 1 special interest contributor to the Democratic Party and to many Republican candidates too, has been the trial lawyers. This year lawyers have donated some $100 million to federal candidates.

Sens. John Kerry and John Edwards have both tried to pin the blame for the vaccine shortage on George Bush's lapel. In the recent campaign, Mr. Kerry charged: "How can we trust George Bush to protect us from bioterrorist attacks when he can't even get us a flu vaccine?"

But wait a minute. Mr. Kerry and Mr. Edwards sided with the trial lawyers and opposed the very legislation that could have averted the influenza vaccine shortage. And guess who are two of the largest recipients of trial lawyer largess in the entire Congress? This year Mr. Kerry has received $21.7 million from lawyers and Mr. Edwards got $11.5 million. These senators and more than 200 others in Congress voted with deep-pocketed lawyers over the health of children and the elderly, who need the flu vaccine most.

Members of Congress will return to Washington a few weeks after the election for a "lame duck" session to complete unfinished legislative business this year. We'd say - and we would venture to guess most Americans would heartily agree - that the most important "unfinished business" is to protect our public health and our access to life saving vaccines.

The first action should be to vote on a Vaccine Liability Protection Act to ensure that the shortage of a vital vaccine never recurs.

Stephen Moore is president of the Club for Growth and a senior fellow at the Cato Institute.

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The Washington Times

October 28, 2004 Thursday

SECTION: COMMENTARY; Pg. A21

LENGTH: 1020 words

HEADLINE: The left's nightmare

BYLINE: By Stephen Moore and Jeffrey Bell, SPECIAL TO THE WASHINGTON TIMES

BODY:

Since 1980 the Republicans have occupied the White House in all but eight years. In more than half of those years, the Senate has had a Republican majority; and since 1994, the Republicans have controlled the U.S. House of Representatives. But conservatives have been frustrated often in these same years by a failure to bring conservative legislation to final approval.

Conservatives have learned that there is a big difference between a Republican majority and a conservative majority. Conservatives never had a true working ideological control of either house of Congress. For all of his political gifts, Speaker Newt Gingrich (1995-98) was not able to deliver a sweeping and victorious conservative agenda. After the government shutdown debacle, Republicans retreated. The Republican Senate has even been more disappointing. It has seemed that liberal Republicans like Lincoln Chafee and Arlen Specter have gotten their way more often than have those on the right who represent the heart and soul of the party.

But in recent years, the U.S. House has pushed a bold reform agenda - especially on economic matters. Even those who have not been pleased with this turn of political events agree that a crucial factor in this ideological shift to the right in the House has been House Majority Leader Tom DeLay and his whip system, which has been operating with increasing efficiency since 1995. Both sides of the national debate agree that Mr. DeLay, who has earned the nickname "the Hammer," has run the strongest whip operation in the House in decades.

You now know all you have to know about why Tom DeLay is under increasing fire for trumped-up ethics violations. Mr. DeLay is despised by the left, not because his actions have been illegal, but because they've been completely effective at neutering the left.

Consider the tax-cut agenda. In the last four years, the House has passed a net tax cut every year. The House enacted a death-tax repeal by a wide margin, health savings accounts, IRA legislation and even a law to sunset the Internal Revenue Service tax code. In too many cases, the Senate has become a graveyard of sorts for positive House-enacted legislation.

Mr. DeLay further infuriated the left earlier this year when he won a redistricting victory in Texas that will give Republicans four to six additional House seats next year. Mr. DeLay insisted that the grossly gerrymandered political lines in Texas be redrawn. In Texas, about 60 percent of the voters are Republicans, but the Democrats under the old lines had a majority of the House seats. Mr. DeLay won a thorough victory against the remains of the old Democratic machine in Texas, and the left has had their sword out for him ever since.

The Democrats have learned they can't crack Mr. DeLay's conservative whip machine, so they have instead charged him with frivolous ethics violations on issues like soliciting illegal campaign contributions. This bullying tactic is hardly new: It is the centerpiece of liberal strategy in the post-New Deal era. Play ball with us, or we will destroy you. This is the politics of personal destruction that the left seems to always complain about. It worked against Richard Nixon, it worked against Mr. Gingrich, and in the Iran-Contra investigation it came amazingly close to bringing down the most effective adversary the left has ever had, Ronald Reagan.

The most recent set of charges against Mr. DeLay has been the work of liberal organizations, particularly the Citizens for Responsibility and Ethics in Washington (CREW). To file their charges with the House Ethics Committee, CREW drafted a lame-duck Democratic congressman, Chris Bell of Texas, to be their front man. Following the redistricting battle in Texas, Mr. Bell, a white liberal freshman, was overwhelmed in the Democratic primary in a new urban district by a black legislator, and has made no secret of his animus toward Mr. DeLay.

Mr. Bell himself is under investigation by the committee, and all his major charges were thrown out. But instead of exonerating Mr. DeLay, the committee administered several wrist slaps.

The ethics committee threw out an accusation by Mr. Bell that Mr. DeLay solicited campaign contributions in return for favorable action on the Bush energy package. But Mr. DeLay was "admonished" for attending a golf outing with energy executives while the energy bill was pending. There is a lot of slimy underhanded activity that goes on in Washington, but a golf outing with a lobbyist seems fairly tame to us.

Mr. DeLay received another wrist slap for offering to endorse the son of retiring Rep. Nick Smith in this year's Michigan primary if Mr. Smith would vote for the Bush Medicare bill. Mr. Smith denies the "horse trade" ever happened.

Let's be clear: The left wants to smear Mr. DeLay, cover him with mud, and then ride him out of town. Conservatives can't allow this to stand. Mr. DeLay's "sin" is to be a conservative Reaganite who never flinches from a fight. Of course, if Mr. DeLay were toppled, the left would be emboldened to torpedo other conservative leaders until we had either a resurrection of Democratic control of the Congress or Republican leadership with no backbone or ideological design.

Tom DeLay has one other endearing quality that has made him a stunningly successful political leader. Mr. DeLay doesn't much care what the establishment press writes about him. He disregards The Washington Post and New York Times. For some in the Republican Party who think that image is more important than policy victory that's unforgivable. But Mr. DeLay understands that when Republicans run as milquetoast Democrats, not only does the conservative movement lose ground, but so does the Republican majority.

Conservative leaders, in and out of Congress, need to defend Tom DeLay with all the resources at their command. If Mr. DeLay is destroyed by the left's henchmen, it may be a long while before anyone else with his ideological commitment and legislative effectiveness comes forward to take his place.

Stephen Moore is president of the **Club for Growth**. Jeffrey Bell is a principal of Capital City Partners.

LOAD-DATE: October 28, 2004

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The Washington Times

October 11, 2004 Monday

SECTION: COMMENTARY; Pg. A21

LENGTH: 833 words

HEADLINE: A tax cut that will in-source jobs

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

This week President Bush is expected to sign into law tax legislation that could enormously affect U.S. competitiveness and job creation.

Many Democrats in Congress - the very people who have pummeled President Bush for not generating enough new jobs - voted against the measure.

Now for purposes of full disclosure, I will confess some of the turkeys that found their way into this bill are fatter than grandma's Thanksgiving bird. There's a buyout for tobacco farmers, a subsidy to native American whalers, continuation of the inane ethanol tax break, and even dollars for tackle box companies. Only two words come to mind in reading through the 600 pages: gobble, gobble.

But this corporate tax bill has two extremely beneficial pro-economic growth benefits. First, it would lower the corporate tax rate for domestic producers from 35 percent to 32 percent. Since the U.S. now has one of the world's highest tax rates on our home-grown businesses, this tax rate cut will help keep businesses here and reduce incentives to flee abroad.

Even better is the provision to allow companies with overseas subsidiaries to bring those profits home to the U.S. at a one-time tax rate of 51/2 percent.

This homeland investment provision, originally conceived by Sen. John Ensign of Nevada and Rep. Phil English of Pennsylvania, would serve as a magnet for foreign capital and would cost the Treasury virtually nothing in lost revenues. It might even gain tax receipts for Uncle Sam.

The tax plan permits U.S. firms to repatriate profits they earned overseas back to the United States without having to pay the corporate income tax rate of 35 percent on this money. Instead, firms with large foreign profits - companies like Hewlett Packard, Pfizer, Microsoft and Sun Microsystems - could bring this investment capital into the U.S. and pay a one-time border entry tax of 51/2 percent. This means we make money on something we want firms to do anyway: invest profits in America.

How much new investment could we expect to get from this tax change? Independent analyses by Price Waterhouse Coopers and Bank of America predict a windfall ranging from $135 billion to $300 billion of new capital within a year of passage. That $300 billion is more money than collected by the entire corporate income tax structure. This money can be used to rebuild industry and factories here at home. Let's call it corporate in-sourcing.

Currently, about $600 billion of U.S. corporate earnings are parked offshore to avoid the hefty tax penalty on bringing these funds back to America. Current U.S. tax law forces our companies to pay the Internal Revenue Service for bringing home income earned overseas. For example, a U.S. firm doing business in Germany pays an income tax in Germany, then pays additional U.S. income tax if the money flows back to the U.S. Thereby, that firm has an incentive to reinvest the profits in Germany, not here.

Victims of this policy are U.S. workers and shareholders in American firms. Shareholders lose because the tax penalty on corporate profits repatriated to the U.S. would largely disappear.

On average, it costs about $50,000 to $100,000 in business investment to create a new manufacturing job in the United States. This tax bill therefore could create as many as 500,000 new jobs next year for factory and technology workers.

History proves capital foreign investment is critical to job creation. Over the past 20 years, dating back to the Reagan tax cuts, the U.S. has imported about $1.5 trillion more capital to these shores than we have sent abroad. This in-migration of capital investment led to a boom in new factories, plant expansions, technology centers and industrial output.

For all the talk of "outsourcing of jobs," for the last 20 years the U.S. has been a massive importer of jobs - thanks largely to falling U.S. tax rates, especially compared to Germany, France and Japan. That's a key reason the U.S. has created 35 million new jobs since the mid-1980s and the rest of the industrialized world less than half as many.

The Kerry Democrats moan that this bill is a corporate tax giveaway. These very same Kerry Democrats complain in their next utterance that American firms who invest abroad for tax-saving motivations are "Benedict Arnolds." But this tax plan gives multinational firms an incentive to bring investments back home. The problem is liberals face a conundrum: They love jobs, but abhor the idea businesses might make money.

Even conservative legislators will gag when they see the corporate giveaways nestled in this tax bill. Why Republicans in Congress believe every bill has to be a Christmas tree with goodies for every K Street lobbyist tucked below, is an enduring mystery.

But cutting taxes on business helps create jobs. And the homeland investment provision brings hundreds of billions of dollars of investment capital into the U.S., which means better- paying jobs. Only a Benedict Arnold could be against that.

Stephen Moore is president of the **Club for Growth.**

LOAD-DATE: November 9, 2004

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The Washington Times

September 29, 2004 Wednesday

SECTION: COMMENTARY; Pg. A19

LENGTH: 972 words

HEADLINE: Lights out on regulators

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

If there's any lesson that policy makers should have learned from the electricity blackouts throughout California in 2002 and then on the East Coast earlier this year, it is that the wrong sort of electric power deregulation can cause soaring prices and leave consumers literally in the dark.

In California, homeowners and businesses had to ration their electricity use, dim the lights, and turn off their air conditioners. A basic service we as Americans take for granted - cheap and uninterrupted access to electric power for light, heat, running computers, powering hair dryers and dishwashers, and accessing the internet - was suddenly scarce.

Given that our electric power network is the U.S. economy's central nervous system, we better make sure Congress and regulators get it right as they restructure regulation of electric utilities. Disruptions in electricity supply and rising prices could bring our economic expansion to a screeching halt.

Unfortunately, federal regulators seem incapable of deregulating in ways that will benefit consumers and maintain a dependable electric power supply. Last year, the Federal Energy Regulatory Commission (FERC) proposed a plan to restructure the national electricity market that would have placed private power-generating companies across the country under the authority of new mega-Regional Transmission Organizations.

This plan would have essentially federalized electricity markets. The plan provoked outrage from governors, state utility commissioners, consumer groups and free-market conservatives. FERC was forced to retreat.

FERC now is grabbing for power through a series of rulemaking proposals, court filings, and other means of regulatory fiat. FERC wants to force local power utilities to join regional transmission organizations (RTOs), which would effectively prevent them providing a first right of service to the very customers who paid for the power plants and transmissions lines in the first place.

FERC maintains this intervention will foster competition in electricity markets, which will in turn, lower utility bills. That's certainly a laudable goal. But it's hard to argue the current system, warts and all, hasn't kept prices low. Adjusted for inflation, electricity prices are lower now than throughout most of history. Electricity prices haven't risen at nearly the rate of oil and other energy prices. So why does FERC insist on "fixing" a system that seems to be working?

Deregulation is supposed to mean fewer rules and less red tape. When Ronald Reagan lifted price controls on oil and natural gas in the early 1980s, all that was needed was a stroke of his pen on a one-page executive order. FERC needs 603 pages just to explain SMD.In some ways, the FERC scheme more closely resembles the multi-layered bureaucracy in the failed Hillary Clinton health care plan of the mid-1990s than a deregulation manifesto.

FERC's plan is hugely expensive. In a recent report, the Public Power Council (PPC) found the costs of FERC's regional transmission organizations has quadrupled from $250 million to $1 billion from 1998 to 2004. The number of employees at the Midwest organization jumped more than 500 percent from 80 in 2000 to 465 in 2004. In Texas, the numbers exploded from 50 bureaucrats in 2000 to 530 in 2004, according to the PPC study.

FERC's meddling in state and local rate setting threatens to drive utility bills up, not down. In Florida, Georgia and Oklahoma regulatory proceedings, FERC has second-guessed state public utility commission decisions aimed at ensuring ratepayers in those states have low prices and reliable supplies of electricity.

It appears FERC's primary goal is not to serve consumers, but rather to serve as a life raft to the merchant generating industry at the very time Wall Street and credit-rating agencies are fully prepared to bury the industry because of poor business decisionmaking. Standard &

Poor's energy analyst Peter Rigby notes "independent power producers gambled on a business model based on rapid and debt-funded growth." Now these indebted power-generating companies face a perfect storm of rising interest rates, soaring natural gas prices and declining electricity demand and want a de facto bailout from Uncle Sam.

Bailouts of bad business practices aren't consistent with a free market model of survival of the fittest. Airline deregulation forced some inefficient airlines like Pan Am and Eastern Airlines out of business, but others like JetBlue rose from the ashes. In the telecom deregulatory environment, overinvestment in the crazed late 1990s led to tens of billions of dollars in overinvestment, shareholder losses and eventual bankruptcies. Uncle Sam never rushed in to use taxpayer dollars to keep these companies afloat.

Everyone wants to ensure that captive local customers aren't price-gouged by local electric utilities, which in many areas still operate as legal regulated monopolies. The goal is to eventually allow the power markets to evolve so homeowners and businesses can purchase electricity on the national power grid from any number of competing utilities. The genuine deregulation model in electricity should work very much like deregulated phone service now operates, where consumers can choose from many phone companies on the basis of reliability and cost. Under that model, long-distance prices have plummeted.

FERC talks the talk of deregulation, but it intervenes in the market place to transform losers into winners. If FERC continues with this model, it may not be long before its phony "deregulation" scam brings the California crisis to the rest of the nation. Congress should turn out the lights at FERC before these bungling regulators turn the lights out on the rest of us.

Stephen Moore is president of the Club for Growth and a senior economics fellow at the Cato Institute.

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The Washington Times

August 31, 2004 Tuesday

SECTION: COMMENTARY; Pg. A17

LENGTH: 1321 words

HEADLINE: The right economic agenda

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

The presidential campaign has come down to two rival ideological visions for the United States. John Kerry wishes to create a middle-class entitlement society, where the government offers free health care, child care and college tuition to tens of millions of working-class Americans. He offers America, in a sense, the mythical and alluring free lunch.

How will Republicans combat this demagogic, socialistic vision of government as the central force in our lives?

The answer is to offer a countervision with bedrock American principles of freedom, opportunity, and prosperity as a higher and nobler goal. America is not Europe - nor should it be.

President Bush lately has spoken eloquently of his desire to create what he calls "an ownership society." He wants to pursue policies that expand home ownership, stock ownership, and new business creation. In a sense, Mr. Bush wants to create in America a nation of capitalists.

It is hoped that as Americans become shareholders and owners of wealth, they will become less dependent on government. That is precisely why the left is agitated and desperate to win.

The White House has unveiled this attractive, pro-growth vision of 21st century America, but has refused so far to describe in all but broad-brush strokes the actual policies that would advance the ownership society.

Mr. Bush needs to do so for two reasons:

(1) Laying out a conservative economic agenda is the best way for the president to solidify and energize his conservative base of voters. Karl Rove has spoken many times of the fact some 4 million to 6 million conservatives did not vote in 2000, which caused a perilously close election. Conservatives might wonder if a Bush victory is a conservative victory at all if there is no mandate for an economic agenda that promotes freedom and prosperity and smaller government. Mr. Bush is seeking an electoral mandate to do ... what exactly? Presidents' second terms are normally far less successful than their first, and the Reagan and Clinton presidencies are stark recent examples.

(2) Mr. Bush needs a mandate to succeed legislatively in a second term. Without an agenda, there is no mandate.

So here are five ideas for the Bush campaign that would excite conservatives and advance the an ownership society:

• Bury the Internal Revenue Code and advance a flat-rate consumption tax. There is no more self-defeating obstacle to prosperity than our antiquated and unnerving tax code. All around the globe, from Russia to Estonia to Hong Kong, flat taxes are taking hold. Mr. Bush is taking baby steps toward getting us to a flat tax - by cutting dividend and capital gains taxes, lowering income tax rates, and phasing out the death tax. But why not end our tax system's tyranny in one fell swoop? A Steve Forbes postcard style flat tax would be rocket fuel for our economy. Why not end the failed income-tax experiment entirely and have a national consumption tax, paid half by businesses and half by consumers? The consumption tax would do away with tax forms, would benefit our manufacturers and domestic producers, would maintain worker financial privacy, would make April 15 just another day of the year and would end the modern day Spanish Inquisition in America: the Internal Revenue Service.

• Offer young workers private investment accounts for Social Security. Every worker in America should be permitted to put aside as much as half of his payroll tax payments into an individual retirement account (IRA) privately owned by the worker himself. These private accounts, according to economist Peter Ferrara of the Institute for Policy Innovation, would earn workers about 2 to 3 times higher returns on their money than what Social Security promises - and Uncle Sam almost certainly won't even be able to keep those promises.

Voluntary private accounts for Social Security would leave tens of millions of young workers with a golden entry ticket into the ownership society. Perhaps 80 percent to 90 percent of Americans would instantly enter the shareholder society. This plan would essentially privatize the largest federal program.

* Muzzle the trial lawyers. Baseless lawsuits are to America's economy what termites are to wooden homes. They deter economic growth, slow innovation and raise prices of almost every product we buy from health care to jungle gyms. The Manhattan Institute in its brilliant report "Trial Lawyers Inc." estimates the net annual cost to Americans of frivolous lawsuits now approaches $500 billion. Americans now pay the equivalent of a 5 percent trial lawyer tax on every good and service they purchase today. Health care costs are inflated by about twice that amount thanks to medical malpractice suits that benefit a few patients who win the lottery and the trial bar that earns hundreds of millions of dollars on other people's misfortunes and then funnel a share in the form of campaign contributions to left leaning Democratic candidates.

Tort reform would put caps on judgments, the end of joint and several liability where a firm that is only 5 percent responsible for an injury must pay as much 100 percent of the damages, reasonable caps on legal fees in cases where the government is the plaintiff, and "lawyer free" products where consumers can buy products at cut rate prices, by waiving the right to sue.

* Restore budget discipline. We need a new budget act in America. President Bush has been an abject failure at controlling federal expenditures, partly because our budget process rewards spending and discourages economy. A new budget act that includes line-item veto power, a tax and expenditure limitation measure, supermajority vote requirements to raise taxes, and sunset provisions on government programs would help restore a modicum of fiscal restraint in Washington. Congress needs to be put in a fiscal straitjacket that will help lower deficit spending, keep interest rates low, and free more resources for private sector spending.

* Offer school vouchers to create an education that truly "leaves no child behind." The evidence continues mounting that school vouchers, charter schools, opportunity scholarships and other measures that offer parents and students an exit strategy from the monopoly public school system can raise academic achievement in profound ways. America simply cannot compete and win over the next 20 years against the Chinese, the Indians, the Russians and the Europeans if we are condemning kids to a second-rate learning experience. The issue of school choice is not just one of educational excellence but of promoting civil rights to black, Latino and poor white children sentenced to failing inner city schools.

President Bush proposed vouchers in his 2000 run for the presidency, but dropped the idea when Ted Kennedy howled in protest. This is not a time to retreat, but to create millions of exit scholarships that will allow admittance to high-performing schools for those who wish to leave the government warehouses for children.

The left's strategy to win the election of 2004 is to seduce voters with free government services and confiscatory taxes on the rich that will very soon reach deep down into the pockets of the middle class. They see America as an extension of the socialist nations of Europe. As Democratic strategist Stan Greenberg has argued many times, Democrats can win by extending the ruinous welfare state programs of the 1960s to the vast middle class.

Mr. Bush can counterattack against the dependency culture with his quest for an ownership society with a program including federal budget control, opportunities for better schools, better retirement options, better health care and a less oppressive tax system. He must lay this plan out during his acceptance speech for the Republican nomination.

The nation, but especially conservatives, will be listening, Mr. President.

Stephen Moore is president of the **Club for Growth** and an economist at the Cato Institute.

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The Washington Times

August 10, 2004 Tuesday

SECTION: COMMENTARY; Pg. A15

LENGTH: 943 words

HEADLINE: Move over, Moveon

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

Left-wing "hate Bush" groups just recently proudly announced they have raised some $75 million to run attack ads against President Bush in battleground states.

A good chunk of these funds are from Democratic gazillionaires like George Soros. The hypocrisy of the left on campaign financing is truly stunning. For years, those on the left were cheerleaders for legislation like McCain-Feingold that would take "big money" out of politics. The were sick of multimillionaire donors "buying elections."

Well, excuse me, but what in the world do they think George Soros is doing? Mr. Soros, who has labeled George Bush "the most dangerous man in the world," has already given $16 million to "hate Bush" groups and he has said he will consider giving much more if that money can be used to defeat Bush-Cheney in November. But the left-wing campaign finance zealots have not issued a peep of protest.

The American Prospect magazine for years railed against big donor politics but recently applauded the Soros money because it will "level the playing field with Bush." But Mr. Bush raises his money $2,000 at a time, not $2 million at a time.

If the left doesn't want to play by the rules it set up with the new campaign law, that's fine. Let's repeal this misbegotten law by all means.

The Bush-Cheney re-election team has not acted entirely admirably either of late. The Republican National Committee tried to persuade the Federal Election Commission to block the airing of political attack ads by groups like Moveon.org.

This contradicted the longstanding principle of conservatives that the First Amendment protects political speech - even speech we find disagreeable. The Founding Fathers intended the First Amendment to above all else grant the unabridged authority of Americans to criticize the Congress and the ruling class. After all, these men led a revolution against a ruling class. Would James Madison or Patrick Henry have tolerated a law that made it illegal to criticize King George III?

FEC Chairman Brad Smith, the one unwavering voice of sanity on the commission, said it best: "If the Bush White House thinks it will win this election by silencing the opposition, they are sadly mistaken."

One unintended impact of the White House complaint against the left's barrage of attacks against Mr. Bush is that it interfered with the ability of groups on the right to wage a counteroffensive. Republican donors were reluctant to give to groups to run ads attacking John Kerry, when the Republicans were challenging the very legality of such political messages.

In effect, the FEC complaint created a unilateral fund-raising disarmament on the right. Left-wing groups were totally undeterred by the FEC complaints and, if anything, accelerated the pace of their 30-second TV hand grenades. Groups on the right were under a de facto blackout. Hence, for the last two months, blistering and hateful TV ads against Mr. Bush and Dick Cheney by Moveon.org and other drooling-at-the-mouth liberal attack dogs went unanswered.

Well, there's an old Mafia saying: Don't get mad, get even.

Moveon is already up on the airwaves in battleground states like New Mexico, Missouri, Ohio, Pennsylvania, and Michigan. There were 12 states in 2000 Mr. Bush won or lost by 4 percentage points or less. Green rivers of left-wing dollars pour into these crucial states. The latest attack ad against Mr. Bush shows discouraged children with a voiceover announcing states and cities can't afford to pay for good schools because Mr. Bush spent $87 billion on Iraq. Another left-wing attack ad against Mr. Bush claims that, when he said his tax cuts would create jobs, he didn't bother to tell us all those jobs would be in China. Clever, but wrong of course, given that already 1 million new jobs have been created here in the U.S. this year.

The good news is that now conservative 527 organizations, such as the one I run, the **Club for Growth**, have launched a counteroffensive to the left's anti-Bush tirade. Our **Club for growth** ads, which defend Mr. Bush's successful policies on the fight against terrorism and his pro-growth tax cuts, can be seen on Web site clubforgrowth.org. Our first ad stirred protests from liberals, such as Alan Colmes of Fox News, who believes it is inapproriate to use images of September 11, 2001, in a political ad. But why should the defining event of our lifetimes be taboo to discuss in an election with so much at stake? Didn't Franklin Roosevelt talk about the war against the Nazis when he ran for re-election in 1944?

John Kerry is a target-rich environment. This is not a candidate from the Bill Clinton, centrist wing of the Democratic Party. Mr. Kerry can and should be attacked for his positions on taxes, big government and his voting record as the most liberal member of the Senate, and on and on. Americans should be educated on his penchant for taking simultaneously mutually contradictory positions on issues. ("I voted for that bill right after I voted against it.") Jay Leno recently lampooned Mr. Kerry by noting that, if he wins the election, he could be the first-ever president to give the State of the Union message and then the rebuttal.

So the battle is finally engaged. The task of keeping up with the money spigot George Soros has opened will require a Herculean voter education campaign by groups on the right. Mr. Soros says we live in a "dangerous world" under Mr. Bush.

If people think it is a dangerous world now, wait until they get a load of what Mr. Kerry's policies would do to the nation. They soon will find out.

Move over, moveon.org. You're no longer the only game in town.

Stephen Moore is president of the **Club for Growth.**

LOAD-DATE: November 9, 2004

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The Washington Times

June 20, 2004, Sunday, Final Edition

SECTION: COMMENTARY; Pg. B04

LENGTH: 971 words

HEADLINE: Contract revisited

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
This summer the famous Contract with America that swept Republicans into power in Congress in 1995 turns 10 years old. The Contract was a bold and sweeping agenda to change the way government works in Washington.

It included 10 major provisions including welfare reform, rules to force Congress to live under the same laws as the rest of us, term limits, tax cuts, and most importantly: budget reduction. In the memorable words of Newt Gingrich, the Republican revolutionary who inspired and led the Contract with America Revolution, Republicans were going to make government smaller and smarter. We are going to prove that we can get rid of programs, not just start them. That was a highly appealing promise to voters as the federal budget under President Bill Clinton approached $2 trillion.

It is chic these days to criticize the Contract with America and write it off as a failed revolution. That would be a misreading of history. Much was accomplished of great significance during those first 100 days in 1995. Republicans for the first time did require Congress to live by the rules they impose on the rest of us. Committee chairmanships were term-limited. The first steps toward meaningful litigation reform passed. And perhaps most impressive of all: The budget was balanced, not in seven but in less than four years.

There were other great triumphs of the new Republican majority back then. Perhaps the biggest of all was strong-arming Mr. Clinton to sign the most historic social legislation of the last 50 years: welfare reform. Since that legislation passed, welfare caseloads have been cut in half and many of those welfare moms now are productively in the work force.

Even in the fight to cut government down to size, there were some early impressive victories. In the first two years of the Gingrich revolution, the federal budget actually was reduced after inflation by 31/2 percent. The only other two-year period where that happened was in Ronald Reagans first two years as president. There was clearly a new ethic of fiscal restraint, rather than fiscal expansionism.

I was proud to work with the young and energetic House Budget Committee Chairman John Kasich, who put together the original Contract with America budget in 1995. That was an astonishingly visionary document - something we havent seen the likes of ever since. Mr. Kasichs budget slated more than 300 programs for termination. Most impressive of all, the Contract with America budget called for eliminating three whole Cabinet departments: Education, Commerce and Energy.

Perhaps Republicans overpromised, but in the end, politics triumphed over good fiscal common sense. Ten years later, most of the useless programs still flourish. Here are some disappointing examples:

* The Americorps program has grown 181 percent and President Bush wants to expand it further.

* The Education Department budget has almost tripled since 1995.

* The Goals 2000 budget has grown from $231 million to $700 million.

* The wool and mohair subsidy was terminated [hooray] but then resurrected by Congress in 1997 and now spends more money than ever.

* Amtrak subsidies were supposed to be phased out entirely by the year 2000. But this year the railroad asked for a $2 billion bailout and Congress is likely to grant it.

The budget of $1.5 trillion in 1995 will likely reach $2.5 trillion this year. The war against big government was fought - at times valiantly - but eventually lost.

What are the lessons of the Contract with America? First, this was an initiative, despite its failures, that launched one of the most radical and successful political reforms in American history. In many ways, the revolution led by Newt Gingrich and Dick Armey helped bring the Reagan Revolution to its beneficial conclusion.

The economy roared back to life on almost the [redacted] day Republicans were elected into the majority. [redacted]ovember 1994, the Dow Jones Industrial average was about 3,000. By the year 2000, the Dow stood at 10,000. This was a period of unparalleled wealth creation and prosperity. Whatever the Republicans did, the financial markets bulls clamored approval.

One other lesson of the Contract with America is that revolutions in America are shortlived. Reformers come in and change the course of government, but it isnt long before the forces of inertia overwhelm the agents of change. That is what happened to the Gingrich Republicans. It is what happened to Ronald Reagan, who accomplished all his major economic victories in the first two years of his administration. Some critics look back and say Republicans tried to do too much, too quickly. Thats 100 percent wrong The window of political opportunity shuts rapidly. Best to do as much as you can while you have the other team in disarray.

The Gingrich Republicans were a heroic bunch. They did a great service in turning around our economy and our government after two years of the totally dimwitted tax-and-spend policies of Clintonomics. The Contract with America contained policy changes of great consequence.

Its tragic that today many of those same Republicans who led the Contract with America siege on Washington have settled into power, have become overly comfortable with their perches of authority, and have in some ways become mirror images of what they replaced. The Republicans now spend more than even the Democrats did when they ran Capitol Hill. Republicans seem to have forgotten who they are, and why voters put them there.

Perhaps it is time for conservatives to start plotting the next revolution.

Stephen Moore is a senior fellow in economics at the Cato Institute and president of the Club for Growth and was a staff member for former Rep. Dick Armey, Texas Republican.

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The Washington Times

May 21, 2004, Friday, Final Edition

SECTION: COMMENTARY; Pg. A20

LENGTH: 876 words

HEADLINE: Who needs the NYSE?

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
You've got to hand it to Richard Baker, the Louisiana Republican who chairs the House Financial Services Committee. Mr. Baker is earning a reputation as the foremost muckraker in Congress as he battles powerful and politically influential special interests in Washington. He takes on corporate titans that even Ralph Nader would likely shy away from.

Last year, Mr. Baker caused quite a hullabaloo in Washington by questioning the wisdom of the multibillion-dollar subsidies Uncle Sam lavishes on housing finance giants Fannie Mae and Freddie Mac. These lucrative Government Sponsored Enterprises have spent millions upon millions of taxpayer dollars to protect their fortresses from just this kind of political assault. It's a good bet not many young rising stars in Congress would have the spinal fortitude to take on these imbedded special interests. He does it because the benefits Uncle Sam confers on Fannie and Freddie are a national outrage.

This week Mr. Baker took on sacred cow: the New York Stock Exchange. On Tuesday, Mr. Baker held a hearing on whether the New York Stock Exchange is really necessary anymore. That's a good question to ask in this new information age economy, which is slaying dinosaur industries the way cicadas shed their exoskeletons.

Mr. Baker pointed out the New York Stock Exchange derives its power, not from the marketplace, but from government charter. This government sponsored enterprise is a minute tax on stock transactions for services that may no longer be necessary. After all, the Nasdaq functions quite well without the services and fees of the New York Stock Exchange.

Most Americans - and especially members of the shareholder class - probably have a warm and fuzzy feeling about the NYSE. After all, isn't this institution the very symbol of America's hyper-efficient financial markets that trades almost one-quarter of the world's wealth? When we think of the NYSE, we are reminded of photos of world leaders, titans of industry and Hollywood celebrities standing perched above the exchange floor ringing the bell to begin a day of trading. This is unbridled capitalism at its rawest and most virtuous form. Isn't it?

There is mounting evidence the NYSE has become a stodgy and outmoded inhibitor of market efficiency that survives mostly because of government protectionism. What other institution could have paid its Chief Executive Officer Richard Grasso tens of millions of dollars in compensation for a job that is essentially ceremonial?

In this age of electronic markets, companies such as eBay, Instinet and Yahoo can execute trades in nanoseconds. Unfortunately, the U.S. Securities and Exchange Commission still requires stock brokers to send their investors' orders through the NYSE, where service is slow and unreliable and where unnecessary middlemen take a slice of the action.

The NYSE is supposed to help the mom and pop investor and maintain the integrity of our stock markets. Nowadays, it acts as an unnecessary toll on transactions.

The root of the problem appears to be the so-called "trade-through" rule, which sends orders through the NYSE to ensure that investors get the best price. But Nasdaq stocks are traded without the big board and investors aren't getting cheated.

Moreover, it appears because the big board is so slow and cumbersome compared to computer-based transactions, investors may not get the best price at all, especially when the market is volatile and prices are changing instantaneously.

Perhaps the most harmful monopoly power bestowed on the NYSE is its status as an information cartel for the stock market. Brokerage firms are forced by regulation to send information that telegraphs their customers' willingness to buy or sell stock at a given price [information of great value] to the exchange for aggregation. Those same firms are then required to buy the aggregated data stream back when providing a stock quote to their customers. This grants the NYSE with an information cartel and impairs the liquidity of the stock market.

This informational monopoly, not surprisingly generates huge revenues for the exchange. The NYSE maintains this arrangement benefits investors. That may be so, but more likely it imposes "rents" on stock trading firms and ultimately their investors. This may explain how it is Richard Grasso and his lieutenants became the best paid "regulators" on Earth.

I freely admit I am stumped in trying to come up with an estimate as to how much this sweetheart deal between Congress and the New York Stock Exchange costs investors. It's hard to know how much efficiency is lost by current trading rules, established decades and decades ago, before the information revolution. As we move ever swiftly into an electronic age, where billion-dollar decisions can now be made at the stroke of a key pad, it does seem the NYSE is as relevant as the rotary telephone.

Kudos to Mr. Baker for trying to get to the bottom of this mess. He is doing a big favor for the 110 million American shareholders who, unlike the NYSE, don't have well-heeled lobbyists looking out for their best interests.

Stephen Moore is president of the **Club for Growth** and a senior fellow at the Cato Institute.

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The Washington Times

May 5, 2004, Wednesday, Final Edition

SECTION: COMMENTARY; Pg. A14

LENGTH: 1050 words

HEADLINE: Never a right time to tax Internet

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Finally, a victory for the taxpayer. At least a partial one. Last week the Senate approved compromise legislation crafted by Sen. John McCain, Arizona Republican [yes, Mr. McCain was on the side of the angels], to extend the ban on Internet taxes four years through 2008. President Bush and Sen. George Allen, Virginia Republican, who rates four stars for unwavering support for keeping cyberspace free of taxes, favored a permanent ban, but a four-year extension keeps Internet users at arm's length from the Internal Revenue Service and local tax collectors for least the foreseeable future.

The fight for a tax-free zone on the Internet was tougher than it should have been, because a handful of Republican senators wanted to empower states and cities to tax access to the Internet at their discretion. Freshman Sen. Lamar Alexander of Tennessee and a former governor, led the crusade for states, localities and brigades of special interest groups who receive the largess of local governments who all desperately wanted to tap this new cash cow of the Internet. Mr. Alexander was unfortunately joined by four other Republicans who wanted to allow local governments to impose a tollbooth on the Internet: Mike Enzi of Wyoming, George Voinovich of Ohio, Kay Bailey Hutchinson of Texas and Thad Cochran of Mississippi.

Lamar Alexander's Internet access tax proposal would have done real damage to the U.S. economy at the very time it is getting its feet back under itself from the tech implosion in 2000-01. In this nascent recovery, growth is again being propelled by technology and knowledge-based industries. Free market advocates argued the Internet should be treated as a tax- and regulation-free form of commerce rather than an ATM machine for government officials to fund favored programs.

Back in 1998, Congress wisely declared the Internet a Tax Free Zone by establishing a moratorium on such Internet access charges. An "access charge" is just the government's polite way of adopting a new tax. The idea was to prevent the government from causing infant crib death of this new consumer technology. After all, as Justice John Marshall once observed, "The power to tax is the power to destroy." By all accounts, the Internet tax moratorium has been a resounding success. In 1985, about 1 in 6 American families and businesses had access to the Web, now 3 in 4 do.

E-commerce is the new frontier of business enterprise. International Data Corp. recently estimated the Internet economy in 2003 reached $2.8 trillion. In the U.S. alone e-commerce accounted for $500 billion in business activity and employed 2.3 million Americans. The Internet sector of the economy is growing 12 percent per year compounded.

E-commerce, in short, is to the early 21st century what the steam engine was to early 20th century economic development. Meanwhile, the telecommunications sector of the economy now stands ready to invest billions to upgrade the nation's communications networks and make high-speed [or broadband] Internet access available to all American homes and small businesses, as it is for large corporations today. The tax ban extension will facilitate that infrastructure investment.

Opponents of the Internet tax ban always had it wrong. They argued this policy unfairly deprives state and local governments who need the money to fund vital public services. Mr. Alexander has labeled the federal ban on the Internet access taxes an "unfunded mandate on states."

But an unfunded mandate is a federal requirement that states and localities spend money. This policy doesn't even deny states and cities a traditional revenue source.

Most importantly, the growth of the Internet and the information economy has been an enormous net positive fiscal development for the states. In the 1990s, as the Internet economy soared, state and local revenues grew 3 times the pace of inflation. By the end of the 1990s, states and local government coffers were overflowing; it wasn't until the tech bubble burst that government revenues sank.

Republicans and many pro-growth Democrats have done a service to taxpayers by extending the no-tax zone on the Internet, and the GOP really dodged a political bullet here. It would have made little sense for Republicans to run for re-election as the party that initiated the nation's first-ever tax on the 74 percent of American households who use the Internet. That's particularly true because these taxes already contemplated by some states and city hall could have cost families up to $150 a year.

But the victory for the Internet and for taxpayers last week only further postpones the bigger fight over whether Internet access and purchases should ever be taxed. Here is why the self-evident answer to that question is no. The expansion of the e-commerce world offers a one-time opportunity to erect a massive, global free trade zone, in which government regulations, fees and levies are banned.

What could be more liberating? Government power will shrink, as the information superhighway is further democratized over the next 20 years to reach every business and household in the world. This is precisely why so many advocates of big government want to tap into the power of the information age economy, before it renders them irrelevant.

So kudos to John McCain, George Allen and the White House for clearing away roadblocks to cyberspace future. It is also worth applauding Democrats such as Ron Wyden of Oregon who fought valiantly to keep politicians' paws off the Internet. As Mr. Wyden said during the Senate debate: "Under [Mr. Alexander's] proposal, the consumers would be taxed every time they send an e-mail, every time they read their local newspaper or check a bank statement online." How sad that many Republicans in the Senate need to be lectured by Ron Wyden on the destructive impact of new taxes.

The House earlier this year passed a permanent ban on Internet taxes. When the Senate takes up the issue of making the Bush tax cuts permanent, it should add the Internet tax moratorium to the mix. An Internet tax won't make any more sense five or 10 years from now than it does today.

Stephen Moore is president of the Club for Growth and a senior fellow at the Cato Institute.

LOAD-DATE: May 5, 2004

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April 21, 2004, Wednesday, Final Edition

SECTION: COMMENTARY; Pg. A17

LENGTH: 1226 words

HEADLINE: Plotting the Kerry tax curve

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

Last week John Kerry's new economic adviser, Roger Altman, a former Bill Clinton Treasury bureaucrat, announced, "We will get to the right of George Bush on fiscal issues." This statement was made only a few days after Sen. John Kerry proposed a tax plan to supposedly cut taxes for 95 percent of families with incomes under $200,000 a year.

Is John Kerry suddenly a Ronald Reagan tax-cutter who wants to ease the strangling government burden on the middle class? Has this tiger really changed his 20-year stripes?

Well, no actually. First of all, his claim "my tax plan only raises taxes on those with incomes over $200,000" has been proven false before. Remember? This was almost precisely Bill Clinton's campaign gambit that sounded so enticing and fooled so many voters in 1992. No sooner was Mr. Clinton sworn into office than he tossed over the side his middle-class tax cut and instead raised taxes on millions of the nonrich who receive Social Security benefits or happen to drive a car, or use electricity for that matter [remember the infamous Btu tax?]. When liberals say they only want to "tax the rich" what is sometimes lost in translation is that they define "rich" as anyone who has a job.

Conservative author Ann Coulter said it best. When liberals promise to "only tax the rich, they are about as convincing as the alcoholic who says that 'I will only drink on the weekends.' "

But back to Mr. Kerry. Can he be trusted on taxes?

Why listen to Mr. Kerry's tax promises, when you can do a Google search and find Mr. Kerry's actual tax record? He has voted to raise taxes on the middle-class dozens of times in the Senate. He voted against all of Mr. Bush's tax cuts. That isn't a very taxpayer-friendly voting record.

In fact, let's be very specific. Mr. Kerry had a chance to cut taxes for people who make less than $200,000 just last year. By choosing not to do so, Mr. Kerry voted to deny meaningful tax relief for the voters he is pursuing.

Using Treasury Department data from the Internal Revenue Service, I recently found the average middle-class family would pay $1,933 more in federal income taxes this year if Mr. Kerry had carried the day and the Bush tax cut had been voted down. There would be no child credit; no reduction in the income tax rates; and no elimination of the marriage penalty tax.

Now to someone like John Kerry who was born into, and then married into, a life of privilege, who owns at last count four mansions, and has a trust fund in the hundreds of millions of dollars, $1,933 a year is probably chump change. But to working people, $1,900 a year is real money. This is the equivalent of taking away the family summer vacation or paying an extra two months on the mortgage [unless you live in a mansion that looks like what the Kerry-Heinz family owns].

If you own stocks, Mr. Kerry really plans to sock it to you. Here he does not even bother to camouflage his plans. The Kerry tax scheme openly promises to raise the death-tax rate, the capital-gains tax rate, and the dividend tax rate. He would raise the capital-gains tax from 15 percent to 20 percent and the dividend tax from 15 percent to 35 percent.

When President Bush cut these taxes on stock ownership, the stock market immediately soared 15 percent. Repealing this tax cut will necessarily mean stock values will fall as the after-tax return falls. This alone could reduce household wealth of the half of American families who own stocks by $1.5 trillion. So the Kerry plan cuts Americans' incomes and wealth holdings.

All this puts Mr. Kerry to the left of even his former governor, and previous Democratic presidential wannabe, Michael Dukakis. Mr. Dukakis memorably told Americans: "I will only raise your taxes as a last resort." Mr. Kerry, effectively says: "I will raise your taxes as a first resort, a middle resort, and a last resort."

Mr. Kerry says he wants to help raise the incomes of the working poor. Again, his actual voting record suggests otherwise. If John Kerry had his way in the Senate and the Bush tax cut had been voted down, today taxes would be due from roughly 2 million low-income working

Americans [about twice the population of Idaho] who don't pay income taxes this year.

When Mr. Kerry voted against the Bush tax cuts in 2001 and 2003, he voted to deny 109 million Americans $1.5 trillion of tax relief over the next 10 years. This is a rich country, but there aren't 109 million rich people in the 50 states. In fact, I estimate, based on Tax Foundation data that if Mr. Kerry had his way, the average family of four would pay $15,440 over the next decade.

Mr. Kerry's campaign would squeal in protest over these numbers. Mr. Kerry wants to only repeal the tax cuts for the rich, they would say, not the middle class and the working poor. But every time Mr. Kerry has had the opportunity to cut taxes on these families, he has voted "no."

The Kerry campaign also says the central economic focus of a President Kerry would be creating jobs. That is a fine and worthy aim. But how? His tax plan explicitly promises to raise income taxes on all those in the highest income tax bracket. The highest tax rate would rise from 35 percent to 40 percent.

The problem here is that 2 in 3 of these people - the evil rich - are owners of small- and medium-sized businesses. And businesses are what create jobs. So how will raising taxes on job creators, create jobs? This is like eating a hot fudge Sundae to lose weight.

Americans want a simpler, less maddening IRS tax code. But the Kerry plan would make it more complicated.

By reinstating the marriage penalty and restoring the death tax permanently, the Kerry tax proposal would add greatly to the tax code's complexity. By raising income tax rates roughly 5 percentage points on everyone and calling for more than doubling the dividend tax, he sends us back toward punitive double and triple taxation of saving and investment income.

In many ways then, the Kerry Tax is "the anti-flat tax." It gives us higher tax rates, more IRS complexity, and requires several million more families to file IRS 1040 returns every year.

Mr. Kerry can certainly count on the votes of IRS agents, tax lawyers, accountants and psychiatrists.

But Mr. Kerry can't win the White House with these voters. He needs to make financially strapped middle-income Americans believe he cares more about their economic predicament and anxieties than George Bush does.

To pull that off Mr. Kerry, must run from his record, rather than on it. He and the Democrats would need to engage in a great act of economic deception and deceit.

When people lie blatantly, they want you to suspend disbelief. They seem ask: "Who are you going to believe, me or your own two eyes?" Mr. Kerry asks taxpayers a similar question: "Who are you going to believe, me or my actual voting record?"

When Mr. Kerry says he wants to be a fiscal conservative and cut taxes of working people, voters must recall Ronald Reagan's wise words: "Trust but verify." If Mr. Kerry fools us with seductive rhetoric, as Bill Clinton did 12 years ago, we should not say, "Shame on him." We should say: "Shame on us."

Stephen Moore is economics correspondent for Human Events and president of the Club for Growth.

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The Washington Times

April 13, 2004, Tuesday, Final Edition

SECTION: COMMENTARY; Pg. A13

LENGTH: 811 words

HEADLINE: Give voters a choice on new taxation

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
When it comes to raising taxes, what part of "no" don't the politicians understand?

In the Virginia General Assembly, the bipartisan scheme by Gov. Mark Warner and the state Senate Republicans to raise taxes in the Old Dominion state could be passed into law in the weeks ahead. When antitax Republicans argued any tax hike should be approved by a vote of the people, the governor pouted that this would "turn Virginia into California."

Mr. Warner, the pro-tax Republicans and the liberal media are all deadset against giving the voters the right to choose on taxes.

Mr. Warner is no fool. He knows a ballot initiative on his tax-increasing revenue grab would be soundly defeated. How do we know this? Because tax initiatives have been trounced every time and everywhere voters have had a say. This is why Republicans should stick to their guns: No tax increase without voter approval.

Every ballot initiative in the last two years that has called for taxpayers to make the "sacrifice" of paying higher taxes, voters respond with not just a "no" but a "hell no." That string of victories for the antitax activists was lengthened earlier this month when Californians voted 60-40 against a measure to gut Proposition 13.

In Alabama, Oregon, Virginia and Washington state voters have recently soundly rejected new taxes [see chart]. In Alabama even the governor's attempt to draw Jesus into the debate failed to sway voters.

It's particularly striking that the latest rejection of higher taxes comes from the folks on the Left Coast in California.

Now California has always been considered by Americans in middle America to be a little quacky. In many ways, it has pursued policies that would lead one to believe this is the most left-leaning of states. And that reputation has certainly been enhanced in the past few weeks with the same-sex marriage ceremonies that are all the rage in San Francisco. This is a state where the legislature recently approved a measure to give "equal rights" to transvestites.

There is also a movement in Sacramento to unilaterally sign the Kyoto Global Warming Treaty, the one that would put hundreds of thousands of Americans out of work.

But on taxes, Californians have never wavered in their opposition. The latest rejection of a ballot initiative to make it easier for the legislature to raise taxes, proves that even after 25 Years of the famous Proposition 13 antitax measure, and even after the left's ceaseless attacks against the devastation to schools, public safety and government services it imputes to the tax revolt,the voters aren't buying it.

Specifically, the California initiative would have gutted the two-thirds vote requirement to raise taxes, replacing it with a slimmer 55 percent majority. Since the Democrats control more than 60 percent of both houses, this would have given liberals free rein to raise taxes through the roof.

If that rule had been in effect last year, it is likely nearly all the $65 billion in taxes and fees that were proposed by the state Democrats would have been passed into law. Given that the state faces the biggest deficit in the history of the states, even most Democratic voters realized this would be about as advisable as allowing Janet Jackson to appear on "Sesame Street." A state wading in red ink can hardly afford to write blank checks.

In some ways, it is astonishing that after 25 years, Prooposition 13 is still regarded as sacrosanct among California voters. I guess Californians recognize this tax restraint measure is all that stands between the Gold State and Chapter 11 bankruptcy.

Mark Warner's comments that Virginia should not be turned into California was ironic because the two states have a lot in common when it comes to the fiscal mess.

The California budget rose nearly 40 percent in Gray Davis' reign of fiscal terror, and it will take Arnold Schwarzenegger years to dig out of the hole. It rose 42 percent in Richmond over the same period.

That is to say, for all the special interest pleading in Richmond to fund "starved services" and to ensure that police and teachers get paid, Virginia has had more revenue and spending growth than California. And whereas Gov. Arnold Schwarzenegger has proposed a budget that grows just 2 percent a year until the budget is balanced, Mark Warner wants the budget in Virginia to grow 7 percent yearly. His two-year budget requests a 15 percent funding rise.

He is right about one thing: Only a massive tax increase will fund this meteoric spending growth.

Virginians keep saying "hell no" to new taxes, and the politicians in both parties seem to be politically tone deaf. The governor and the Republicans in the Senate just don't seem to understand what the meaning of the word "no" is.

Stephen Moore is the president of the Club for Growth.

LOAD-DATE: April 13, 2004

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February 3, 2004, Tuesday, Final Edition

SECTION: COMMENTARY; Pg. A15

LENGTH: 1124 words

HEADLINE: Pricey government prize

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
President Bush has released his fourth budget to Congress, requesting $2.34 trillion of spending for fiscal 2005. I have often maintained one of the biggest problems with Washington is no one can tell the difference between $1 million and $1 billion.

When Congress starts counting our tax dollars in the trillions of dollars, it is like a trip to Michael Jackson's Neverland Ranch. One trillion dollars, is a million million dollars. That's a lot of money, no matter how you stack it.

The president will predictably boast this is a lean budget that spends money judiciously on top national priorities like homeland security and not a penny more. He will try to assure conservatives this budget limits the growth of federal nondefense, nonsecurity spending [social programs] to less than 2 percent. His Democratic rivals will complain this is a penny-pinching budget that underfunds education, health care, the environment, etc., etc.

They are both wrong. A federal budget that will spend more money in a single year than the entire GDP of France and 3 times what it cost to fight World War II can hardly be disparaged as inadequate or celebrated as tightfisted. Uncle Sam Inc. will spend more money in just this year than it spent combined from 1787-1900 - even after adjusting for inflation.

Ironically enough, we are now celebrating the 10-year anniversary of Newt Gingrich's bold declaration that "we Republicans will make government smaller and smarter." It didn't exactly turn out that way, given that the budget is now nearly $1 trillion larger than when the Republican revolution was launched.

The truth is that in recent decades, neither political party has been a particularly good steward of taxpayer resources. Government ingests about 4 times to 5 times more of America's national output today than in 1900. The government's share of everything we produce and earn has about doubled since the end of World War II.

Or here's another way to think about it: If you took all the spending by government and just evenly divided it among all families of four in America, each family would be more than $50,000 richer. This is double the level of spending in 1960 and 14 times the amount government spent in 1900, even after adjusting for inflation.

So the question American taxpayers should ask is: Does my family really get anywhere near $50,000 worth of services every year from city hall, state governments and Uncle Sam Inc.?

The composition of government spending has changed too. Even with the recent increases in the military budget in the new age of terrorism, a smaller share of federal spending is devoted to national defense - ironically, the one area of the budget where Congress has a clear constitutional authority to spend money - than at just about any other time in U.S. history. Traditionally, about one-third to one-quarter of all federal expenditures were for national security. Now that percentage is down to less than one-fifth.

Almost all the growth of government in this past 50 years has been a result of increased civilian social program spending.

In 1940, 4 million Americans worked for government and 11 million worked in manufacturing. Today, there are 7 million more Americans working for government [21.5 million] than in all manufacturing industries [14.5 million]. We have shifted from an economy of people who make things, to an economy of people who tax, regulate, subsidize and outlaw things.

We certainly have more rulemakers and red-tape dispensers than ever before. In 1935, there were 4,000 pages of federal regulations in the Federal Register. Now there are 68,000 pages. That's a 17-fold increase in 65 years.

Since 1970, the number of federal regulators nearly doubled from 69,000 to 130,000. We work almost half our lives now complying with government rules, edicts, levies, paperwork requirements, taxes and fees.

The odds seem a lot higher at least in the short term government will continue to rapidly expand than that the federal spending orgy will subside. [After all, the ink isn't even dry on the Medicare drug bill and the cost is already up by $100 billion.]

President Bush has allowed the budget to grow by 8 percent per year after inflation in his first three budgets. What's worse, many in Washington want government to grow a lot more in a hurry. Most of the Democrats running for president, and even some Republicans in Congress, yearn for the day when government entirely takes over the health-care industry - so we can have a socialized system more like France and Canada. [This would add about 5 percent to 10 percent more of the economy under direct government control.]

Many in Congress want government to fully take over the financing and control of education of preschool children [ages 3-5] and to provide free universal college to all 18- to 22-year-olds. This too, could add another 5 percent to 10 percent of the government's total take.

In this bloated budget, the president seeks funds to keep marriages intact, to prevent overeating, to encourage teenagers not to have sex, and to help give Americans the willpower to stop smoking.

Should it bother us that both parties now have bought into the belief government now has a federal program, bureau, agency or grant contract to deal with every conceivable need: an indoor rain forest in Iowa an arts festivals in Alaska, and swimming pools in New York - and, what's next, relief from the acne on my teenager's right cheek?

Should the request for a $20 million increase in the National Endowment for the Arts budget, the people who funded a picture of a crucifix in a toilet infuriate us? Well, yes, actually, it should.

For one thing, it makes us poorer. Just a few months ago the Heritage Foundation and the Wall Street Journal issued an economic freedom index of the world in which the U.S. ranked only 10th freest. The study discovered a strong and not surprising statistical relationship between economic freedom [of which one component is limited government] and economic growth and prosperity.

A greater threat to our out-of-control budget is that it erodes personal freedom. When government grows, as Thomas Jefferson once famously put it, "liberty yields." Dollar by trillions of dollars, we are voluntarily giving up our liberties for a government that promises us in return a blanket of protection from cradle to coffin. Republicans are steering us in the direction of the "workers' paradise" of a European socialist welfare state, and the reply from the Democrats is faster, faster.

Stephen Moore is president of the Club for Growth and a senior fellow in economics at the Cato Institute.

LOAD-DATE: February 3, 2004

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The Washington Times

January 23, 2004, Friday, Final Edition

SECTION: COMMENTARY; Pg. A19

LENGTH: 844 words

HEADLINE: Pondering the state of Bush's union

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Here are the words George W. Bush should have spoken to the nation last night:

"My fellow Americans: The state of the union is healthy. The economic recovery is picking up steam. We are winning the war against terrorism. Keep the faith. God bless. Good night."

If President Bush had kept it short and sweet, the American people would have stood on their living couches and thunderously applauded. Brevity is,after all, the soul of wit.

Alas, the art of short political speeches went out sometime soon after the Gettysburg Address, which was only a few hundred words and took less than 5 minutes to deliver.

Instead, Mr. Bush held us captive for just under an hour. That was an improvement over his predecessor. Bill Clinton's State of the Union addresses were 11/2 hour exercises in self-aggrandizement..

I always felt Mr. Clinton believed in his heart of hearts that if he could just go on prattling forever, he could conjure up some new multimillion-dollar program to solve every problem in America, including exterminating the fly swimming around in my soup or fixing the drip on the bathroom faucet.

Bill Clinton felt our pain so deeply there was no price he was not willing to have taxpayers bear to make us feel better. Of course, you needed a cash register to ring up the cost of Mr. Clinton's new spending pronouncements.

Mr. Bush too, has this unattractive tendency to believe there is a government agency to fix every leaky pipe in the nation. Mr. Bush may not have announced a national campaign to eradicate athlete's foot, but it wouldn't have been much of a stretch if he had. After all, he wants to send a man to Mars - not Paul O'Neill, regrettably - and that will cost $500 billion over 10 years. He wants to spend millions to promote holy matrimony. He wants to spend $200 million to fight obesity - why can't we just tell fat people to stop overeating?

He says he wants to sizably increase funding for community colleges and job training and spreading democracy around the world. He wants to subsidize wheat and corn farmers. There will be more funds to fight AIDS in Africa and to purchase garbage trucks in Iraq..

He wants money for hydrogen-fueled cars, and a manufacturing czar.

Presumably the czar, much like Dorothy in the "Wizard of Oz," can magically click the heels on her Ruby slippers and make $15 an hour factory jobs reappear. Can a Cabinet agency - the Department of Homeland Manufacturing - be far behind?

There seems to be in recent years a correlation between the length of the State of the Union speech and the size of the budget expansion in the upcoming year. Americans seem to approve when president's roll out a wish list of new problem-solving federal agencies, as if for one night at least, they buy into the fantasy that government really is Santa Claus.

The State of the Union has become our one chance as Americans to ask Washington what our country will do for us. So the convention is now for the president to pander to us, and if the pollsters are right, that's the way we like it. We want the goody bag at the end of the party.

What George Bush did not talk about was ending the spending spree in Washington that has become one of his unfortunate legacies. He said "we must spend tax dollars wisely," but Congress has done anything but that in recent years. He pledges to hold spending increases to 4 percent this year. But so he has every year and every year the budget has accelerated at twice that pace. The pledge not to waste our tax dollars rings hollow given that in a matter of days, he will sign into law a budget-buster that provides money for Alaska skating rinks, Michigan swimming pools and Iowa indoor rain forests.

There were high points for freedom and free markets in the Bush speech to be sure. Mr. Bush wants to make tax cuts permanent [as opposed to Democrats, who want immediate repeal]. Mr. Bush wants to expand tax-free individual retirement accounts to encourage saving. And most important, he wants to give Americans the option of investing their payroll taxes in a private account. These all will encourage faster economic growth and more choices for workers.

But there was still far too much false compassion in the Bush message and not enough fiscal restraint. There is no end to government compassion when the politicians are reaching into someone else's pocket.

The expansion of government in recent years is arguably the biggest impediment to freedom and economic growth in America today. The State of Bush's Union has become in some ways a State of too much dependency and a State of too much entitlement. With the federal budget now costing nearly $25,000 for every family in America, Mr. Bush should not add to the burden.

The White House should be warned: if Mr. Bush doesn't start to get control of the runaway budget soon, next year we may be listening to John Kerry giving the State of the Union address.

Stephen Moore is president of the **Club for Growth** and a senior fellow at the Cato Institute.

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January 14, 2004, Wednesday, Final Edition

SECTION: COMMENTARY; Pg. A14

LENGTH: 1222 words

HEADLINE: Clueless . . . with a vengeance

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

If you watched George Bush's first Treasury Secretary Paul O'Neil's self-serving "60 Minutes" interview, in which he spewed venom at his former White House colleagues, you know all that was missing was his clown outfit.

By far the best moment of the evening came when Leslie Stahl asked if he felt any tinges of guilt for the blindside kidney punches he was throwing at President Bush. Mr. O'Neil coyly played dumb and wondered why anyone would view his portrayal of the president as unflattering. He pretended he was doing the president a favor, because, "After all, all I am doing is telling the truth."

Yes, Mr. O'Neil, I'm sure the president is tickled to death that you describe him as disengaged on domestic policy issues, plotting to overthrow Saddam Hussein from his first day in office, and uncomprehending of the ramifications of the economic policies he was proposing. I'm sure he is equally thrilled you turned over heretofore never seen national security documents to a reporter writing a hatchet job book on the Bush presidency.

Even Leslie Stahl couldn't help smirking at Mr. O'Neil for being such a - well, a rat. As such, we learn much more about the real Paul O'Neil, than the real George Bush in these interviews.

Let us be clear on one thing about Paul O'Neil: He was one of the worst Treasury secretaries in memory. During the height of a currency crisis and meltdown in the stock market, Mr. O'Neil was playing the role of a rock groupie as he followed Bono around Africa. Many Washingtonians, not least of all, Mr. Bush himself, half hoped he would never come back. He had a penchant for wedging his foot in his mouth, talking down the dollar and the need for tax cuts, and then pathetically blaming every faux pas on his penchant for "telling the truth."

He was incapable of dealing with foreign leaders. During his tenure, the economy performed miserably - that certainly wasn't his fault but he certainly also did nothing to rectify the bad performance.

Mr. O'Neil never understood supply-side economics and was thus a surprise candidate for the job of Treasury secretary to begin with. He came from the Richard Nixon wing of the party.

As chief executive officer of Alcoa, he was one the major corporate cheerleaders for George Bush Sr.'s "read my lips" tax increase that capsized the elder Mr. Bush's presidency.

Now he seems hell-bent on bringing down this Bush presidency, perhaps because he is still infuriated over his firing last year. Dick Cheney got him the job - he and Mr. O'Neil were buddies when Mr. Cheney was the head of Halliburton - but Mr. O'Neil doesn't pull his punches when it comes to the vice president, describing him as a feckless pawn in the White House. [Recommending Mr. O'Neil to Bush may be Dick Cheney's only error as vice president.] If Condoleezza Rice was like the Babe Ruth of selections for his top foreign policy adviser, Mr. O'Neil was the Mario Mendoza of the economics team.

The press is having a field day with Mr. O'Neil's claim the 2003 tax cuts - the dividend and capital-gains reductions - were unnecessary and fiscally reckless. One wonders what this man was smoking when he was trooping around the hinterlands in Africa with U2. Since the Bush tax cut took effect, the stock market has risen 25 percent, the economy has produced 500,000 new jobs, the economic growth rate has doubled, and business investment has hit a 10-year high.

Again, even Leslie Stahl had to challenge Mr. O'Neil on this bizarre attack on the tax cuts by asking him whether they help explain the 8.2 percent growth rate in the third quarter.

Mr. O'Neil responds, "We would have had 6 percent growth without them." Even if he were right, 2 percent extra growth from tax cuts is nothing to sneeze at.

Why was Mr. O'Neil against a tax cut in 2003? Because he claims he wanted to start the debate on "fundamental tax reform." But, hello. Cutting the capital-gains tax, cutting the dividend tax, lowering tax rates, increasing tax deductions for business investment, is a big leap forward toward tax reform.

George Bush is giving us tax reform one bite at a time.

Mr. O'Neil just never seemed to be singing from the same hymnal as the rest of the Bush team. This became clear to me when I had a private breakfast with him a few weeks before he was fired - back in October 2002. [He said, affably, that he wanted to meet the guy who was always criticizing him in the press.]

My agenda item for the meeting was to impress upon him the importance of a tax-cut stimulus oriented toward helping investors and reversing the $5 trillion in losses that the economy has already absorbed under this president's tenure.

I was stunned by his opinions. He said a stimulus was not needed. He also said that with America about to go to war with Iraq [potentially], now was not, in his opinion, the best time to pick a partisan fight with the Democrats in Congress over tax cuts. He thought a "tax cut for the rich" was politically unwise. He saw little value in a capital-gains tax cut.

I continued to press the point that the stock market collapse, if not reversed would not only risk capsizing the economy, but could also mean catastrophic losses for Republicans and President Bush in 2004. He said he was not much interested in the politics of these issues, but rather in giving the president sound economic advice. I wondered [not aloud] why he so seldom gave any.

One of the most poignant moments of our meeting came when he asked me whether I really believed any tax changes could impact the economy or the stock market in the short term. I politely said policy changes, of course, matter in directing the economy in the right direction and that incentives matter - that's why we're here. He replied: "You know I hear this talk all the time about the value of this tax cut and that tax cut, but I've been in the business world for years and have made major investment decisions, and the idea that these tax changes impact these kinds of real world decisions is just bull .... This just isn't how the real world works." I nearly fell out of my chair. How could President Bush have put this confused man in this job, I kept asking myself.

Paul O'Neil never was at all sympathetic to the supply-side and Laffer Curve ideas that are so critical to enhancing economic growth in the short and long term. It was a good thing Mr. Bush fired Mr. O'Neil when he did and replaced him with the very capable John Snow. Mr. O'Neil would have undermined the tax cut. This is a man who is hypersensitive to the deficit and to the kinds of income distributional tables that always lead to the conclusion tax cuts benefit the people who are already wealthy.

There was one other poignant moment at the end of our meeting. I asked Mr. O'Neil about his future plans. "I will stay in this job as long as the president wants me," he declared rather haughtily. He was completely unaware that as we spoke, Mr. Bush was rightly plotting to get rid of him. Mr. O'Neil had no idea the hatchet would soon fall.

That was Paul O'Neil as Treasury secretary: clueless till the bitter end. And with his kiss-and-tell escapade, we might also say Paul O'Neil was classless till the bitter end.

Stephen Moore is president of the **Club for Growth.**

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The Washington Times

January 14, 2004, Wednesday, Final Edition

SECTION: OPED; Pg. A17

LENGTH: 896 words

HEADLINE: Virginia's taxaholism;
Governor, GOP legislators betray voters

BYLINE: By Stephen Moore and Peter Ferrara, SPECIAL TO THE WASHINGTON TIMES

BODY:
The Virginia legislature opens it 2004 session this week under the cloud of Gov. Mark Warner's proposal for the largest tax increase in the state's history.

The proposal includes a 22 percent increase in the sales tax, from 4.5 percent to 5.5 percent. It includes a 10 percent increase in the top income tax rate in the state, from 5.75 percent to 6.25 percent.

In the future, it would raise income taxes on seniors age 62 to 64, and on some seniors 65 and over, by eliminating or reducing current income exemptions for them. It would also increase the cigarette tax by 10 times and give local governments the authority to triple that.

The plan throws some bones to taxpayers, like finishing the phase out of the car tax over an excessively long four more years. But overall the plan would raise state taxes by a record $1 billion over the next budget cycle.

The governor says the tax increase is needed to cover continued budget shortfalls after recent severe budget cuts. Indeed, he has successfully sold this line to the weak Virginia media.

But annual state spending has been increased by $2.5 billion since the governor entered office, not cut. The state budget is now at the highest level in history, up $6 billion, or 28 percent, over the last five years.

Moreover, the governor now proposes with this budget a whopping 13.2 percent increase in this budget cycle over the last one. Without the supposedly essential $1 billion tax increase, state spending would still increase a way too high 11.3 percent.

Adopting the largest tax increase in the history of Virginia so it can increase the next budget by 13.2 percent, instead of 11.3 percent, would be serious taxaholism. Obviously, tax revenues are rising too rapidly and need to be cut, not increased.

The voters have already spoken, and overwhelmingly rejected, the main revenue raiser in the governor's package, the 22 percent sales tax increase. In November 2002, Northern Virginia voters rejected an increase half as large by a margin of 55 percent to 45 percent, even though foolish business special interests spent $2.5 million to hoodwink voters into supporting the idea. In Tidewater, voters rejected the same increase Mr. Warner now proposes by a smashing 63 percent to 37 percent.

To come back now and ask the legislature to approve the same tax increase that voters in the two most populous, and liberal, areas of the state recently rejected so decisively is a shocking display of anti-democratic arrogance by the governor, as well as deep taxaholism. Is Virginia to be governed by the people, or by special interest, anti-democratic elitists?

Mr. Warner clearly thinks the voters are too dumb for the tax issue to be subject to democracy. He deliberately waited until after the election to release his record tax-increase plan precisely to preclude voters from having a say in the matter. He even bragged to The Washington Post about this anti-voter strategy.

This is the same Mr. Warner who ran for governor in 2001 with a huge ad campaign saying he would never dream of raising taxes, and that his opponent, Mark Earley, was a scumbag politician for even suggesting he would. He sees no dishonor in now proposing the largest tax increase in the history of Virginia. The state is now all the way back to taxation without representation.

The sharply higher income tax and sales tax rates will prove to be powerful disincentives, discouraging increased saving, investment, job creation and economic growth in the state. The proposal will hit Northern Virginia, which has significantly higher incomes and sales per capita than the rest of the state, the hardest. The region already gets back only 46 cents out of every dollar that goes to Richmond, and this huge tax increase will only make that worse.

But perhaps the region deserves that, with local leaders like Bill Lecos, president of the Fairfax Chamber of Commerce. Mr. Lecos is out

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vigorously cheerleading for this tax whacking of his region and the very people he is paid to represent.

To Mr. Lecos, higher taxes and government spending equals higher quality of life, even when the higher taxes are in Northern Virginia and the higher spending is in Roanoke. Mr. Lecos should be managing the Howard Dean campaign in the state.

With Republicans firmly in control of the legislature, the governor's proposal should already be dead. But a cabal of Senate Republicans, led by Finance Committee Chairman John Chichester, support a similar tax increase package.

Any Republican who votes for the record tax increases proposed by either Mr. Warner or Mr. Chichester will have a scarlet T emblazoned on his or her forehead for the next 10 years. The taxpayer groups will have a concrete, critical vote to prove to constituents that their supposedly Republican representative is actually a taxaholic Howard Dean liberal. These Scarlet T Republicans can expect a primary challenge every election until they are out of the legislature.

Grassroots Republicans and taxpayers are entitled to fight for what they believe in and against what they don't. And what they believe in is maximizing taxpayer freedom and overall economic prosperity, not Swedish socialism.

Stephen Moore is president of the **Club for Growth**, and Peter Ferrara is president of the Virginia **Club for Growth.**

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The Washington Times

November 13, 2003, Thursday, Final Edition

SECTION: COMMENTARY; Pg. A19

LENGTH: 1101 words

HEADLINE: Hidden snares in health care

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
We are in the 11th hour of an epic health-care debate on Capitol Hill that could shape the health-care industry for years, even decades to come.

By all expectations, this new prescription drug bill for seniors will be the largest expansion in the federal role in health care in many moons. But if this bill carries with it a package of free-market reforms to the health-care system, all is not lost. In fact, the long-run efficiency of the health-care market may be radically improved.

A handful of Republican conservative crusaders in the House, led by Pat Toomey of Pennsylvania and Paul Ryan of Wisconsin are working to guarantee that free-market reforms like Health Care Savings Accounts [HSAs] are included in any prescription drug bill.

They are facing tough, but not impossible odds. The White House prefers a market-based system, but it also desperately wants a bill the president can sign into law before the next election. Meanwhile, Ted Kennedy-led Democrats have almost all pledged a blood oath to oppose any bill that even has the hint of free markets. They won't allow any initiatives that would collide with the left's grand vision of a socialized health-care system - which is the liberal's loony notion of medical-care utopia.

Today, health care is arguably the most dysfunctional industry in America. Why? Because in health care the magic of markets are not permitted to operate efficiently, in fact, hardly at all. Government has ruined our health-care system; more government will not fix it.

One of the repercussions of the government's dominating role in health care has been to cause hyper-inflation in costs. In the last three years, according to the Labor Department, employer-covered health costs have risen by 14 percent, 12.5 percent, and 13.9 percent [see chart]. This is in an era when overall inflation in the economy has not grown at all, and in fact most consumer-driven industries have been characterized by declining costs and prices.

Today, the average annual cost for health insurance for a family is an astonishing $9,068 for a family of four. In just five years, health costs have doubled for families. The cost increases are making medical services increasingly unaffordable for employers and for families. This is the reason the ranks of the uninsured is surging in America today. Health care is just unaffordable to a growing number of families. Soaring health-care costs are also a major reason why so many states are broke today [Medicaid expenses] and why the federal government is running huge deficits [Medicare].

The government-run health-care programs of Medicare and Medicaid operate on a monopoly basis with almost no forces of competition to drive down costs. Medicare and Medicaid exhibit all the efficiencies and consumer-driven innovation of the U.S. Postal Service.

Ironically, moving toward a free-market health-care system will do far more to reduce out-of-pocket costs for seniors than providing a subsidized drug benefit. In fact, the Medicare prescription drug bill may not be the political savior that Republicans and the Bush White House seem to think it is.

That is true for two reasons. First, seniors will have to pay as much as $600 a year for the benefit. It's not free. Second, the Heritage Foundation reports that as many as half of all seniors with existing prescription drug insurance may lose that insurance and be thrust into the government program. As such, many seniors may end up with worse drug coverage than they already have. They aren't likely to be happy campers, if that's the case - and they may take their anger out on Republicans. This is very thin political ice the GOP is treading on.

Ted Kennedy and Tom Daschle want a plan that is designed to fail and antagonize seniors, who will then vote Republicans out of office. This is where Reps. Ryan of Wisconsin and Toomey of Pennsylvania come in.

Mr. Toomey, Mr. Ryan and their conservative colleagues say they will not vote for a prescription drug bill that does not install free-market reforms in the health care and Medicare programs. They have insisted that any Medicare bill contain three must-pass provisions:

[1] A requirement that Medicare compete with private insurers after the year 2010 so taxpayer costs will be driven down through the benign

forces of competition.

[2] Universal health-care savings accounts to give health-care consumers more options in choosing health plans and coverage that meet their individual needs and control costs.

[3] A cost-control feature in the bill that guarantees the price tag will not exceed $400 billion over 10 years.

By far, the most vital of these reforms is the [HSAs]. HSAs are like tax-free IRAs where the money is stored in the account to pay for health expenses. If the family incurs a medical cost, it pays out of the account.

If the family does not incur expenses of $3,000 or more during the year, it gets to keep the money not spent and roll it into a regular individual retirement account [IRA]. These HSAs already exist on a limited basis and are cutting health-care costs dramatically.

For example, one study by the Reason Foundation recently found MSAs combined with a catastrophic coverage plan could save the typical family about $2,000 a year on health costs compared to conventional insurance. In other words, the MSA plan could cut health care costs by 20 percent or more while providing more comprehensive coverage. That would make private health coverage far more affordable for families and give families far more choices in their health-care providers than is currently allowed.

Consumer choice and competition are the pillars of an cost-effective health care system, and thus are precisely the ideas that give Ted Kennedy heartburn.

If Republicans enact a Medicare prescription drug bill, they should do so only with a reform package that gradually gets the government out of health care and restores market discipline to this industry. That begins with the universal MSA provision - the perfect antidote to socialized medicine.

Conversely, if the president and Republican leaders in Congress ignore the Pat Toomey and Paul Ryan free-market coalition and instead pass a bill that makes nice with the Kennedy Democrats, they further will injure the health-care system to provide a $400 billion drug benefit many retirees don't even want.

Inciting the wrath of seniors and taxpayers is no way to go into a critical election season.

Stephen Moore is president of the **Club for Growth.**

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The Washington Times

November 7, 2003, Friday, Final Edition

SECTION: COMMENTARY; Pg. A21

LENGTH: 900 words

HEADLINE: Where's the fiscal outrage?

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
We have just closed the books on fiscal 2003, and all that can be said is: Good riddance. This was one of the worst years for fiscal conservatives in many moons. The federal budget grew by more than $150 billion - more than twice as much as any year that Bill Clinton was in the White House - and deficit spending eclipsed $300 billion, a 10-year high.

This Republican Congress is spending at a faster pace than any Congress since before the days of Woodstock and the Miracle Mets.

Milton Friedman, the revered Nobel Prize-winning economist, declares this unbridled spending "is the single greatest deterrent to faster economic growth in the United States today."

Another Nobel Prize economist, James Buchanan, worries that by allowing government to grow so rapidly ahead of the pace of the private sector, we are "killing the goose of free enterprise that lays the golden eggs."

And Republicans are joining Democrats in the slaying.

A new Institute for Policy Innovation report chronicles the budget orgy. "What we have in Washington today," it glumly notes, "is a bipartisan fiscal cop-out. No one in Congress or the executive branch has insisted that federal tax dollars be spent judiciously." Yet, examples of waste and fraud in the federal budget have reached gargantuan proportions. Here are some recent examples that incite only yawns from Washington policymakers:

* The General Accounting Office [GAO] recently found that the Pentagon "reported an estimated $22 billion in disbursements that it has been unable to match with corresponding obligations." In other words, the Pentagon somehow lost track of what happened to the money.

* An audit of Medicare discovered the federal government made $12.5 billion in erroneous payments in fiscal 2001.

* The food stamp program routinely sends out food vouchers to ineligible families. It's difficult to estimate the amount of waste here the last couple of years, because the federal government recently loosened the state reporting requirements substantially. In 2000, the last year that estimates were provided, improper food stamp payments cost more than $1 billion.

* The U.S. Department of Commerce spent tens of millions of dollars on Advanced Technology Program grants to just 10 companies from 1990-96. These firms had combined profits over that period of $31 billion.

* The GAO estimated that $6 out of every $10 spent on Superfund is used for purposes other than toxic waste cleanup. The money is spent on bureaucracy, like secretaries, laboratory work, and office expenses. Superfund money is supposed to spent on cleaning up waste, not creating more of it.

* The U.S. Office of Management and Budget recently discovered most programs don't do what they are created to do. According to the OMB performance assessments of 230 programs, 5 percent of the agencies were rated ineffective and 50.4 percent of the programs were rated "results not demonstrated." If programs cannot demonstrate results, why fund them?

The chart shows it took Congress 101 years to spend its first $500 billion dollars. But it took just 10 years to spend the next $500 billion; and now just four years to spend the last $500 billion.

Government agencies ought to have a natural life cycle, just as private firms do. Private companies are launched; [hopefully] go through a phase of rapid growth and profitability; and eventually enter a period of retrenchment and demise. The fact Congress never puts government agencies through this last phase of life is a major reason public agencies are so bulky and unproductive. They become money-sucking vampires that just won't die.

For example, Amtrak was supposed to be made financially self-sufficient, no longer requiring taxpayer subsidies, by 2002. In 2000, it only reduced its budget gap by $5 million, leaving it $281 million short of paying its own bills. Last year, it was technically bankrupt. By law, Amtrak's assets should have been liquidated more than a year ago, but it keeps rolling along, burning tax dollars along the way.

Runaway entitlement programs created America's budget crisis, so naturally Congress wants to create new ones. The Medicare prescription drug benefit President Bush requested in his 2004 budget cost $400 billion over the next 10 years - almost double the price tag Bill Clinton recommended. Yet, Democrats are arguing that the Bush plan is too skimpy.

They are pushing for a staggering $700 billion plan and threatening to vote against final passage because it spends too little.

Republicans have almost all of the levers of power in Washington.

They've proven they can cut taxes. But they have also proven incapable of cutting fat out of the budget and of setting spending priorities. Instead we get more - of everything. Conservative Republican Rep. Mike Pence of Indiana he recently complained: "I came here to Washington to get the government under control. But every vote we've had has made government bigger. We rarely if ever vote to make government smaller."

Republicans need to realize Milton Friedman is right that the GOP's profligacy is the biggest danger to our economy. It is also the greatest danger to the GOP's political survival.

Stephen Moore is a senior fellow at the Cato Institute and president of the **Club for Growth.**

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The Washington Times

October 9, 2003, Thursday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 811 words

HEADLINE: Recall shock therapy

BYLINE: By Stephen Moore and Paul Jacob, SPECIAL TO THE WASHINGTON TIMES

BODY:
The biggest winner in the historic recall election held this week in California was not Arnold Schwarzenegger, but rather the citizens of California. Millions of California voters have exercised their right to remove an incompetent and corrupt governor. Three cheers for democracy.

The scandal is that less than half the states give voters the right to recall their elected officials. We think this should be made a basic right of voters in all states and at the federal level. Recall is the ultimate voter safeguard to keep politicians honest and accountable.

This isn't the way the left sees it at all. The Los Angeles Times argued that the recall is "baldly partisan, threatens political civility that allows democracy to work, has become a circus that mocks the electoral process, and is inherently undemocratic." But what in the world is undemocratic about a citizen-driven movement [2 million Californians signed petitions for the recall], that engaged and energized voters across the state?

Why should politicians be "entitled" to a full four years in office if they are not performing? If corporate CEOs run their business into the ground, they don't get to stay in their job for a term in office. It would be a breach of fiduciary duty of a board not to depose an incompetent CEO.

Well, Gray Davis was the de facto CEO of California, the sixth-largest financial entity in the world. The economy cratered. The voters had a fiduciary duty to oust Mr. Davis as they did.

One group called Republicans Against the Recall complained that the recall is a "weapon of mass political destruction. The recall will set a terrible precedent. Soon labor unions and environmentalists will be trying to recall Republicans." Good. Many Republicans should be recalled from office. In Nevada, voters are attempting to recall their Republican governor, Kenny Guinn, for raising taxes after he had promised not to.

Good move. Recalls are the ultimate shock therapy that empowers voters to impose discipline and accountability on politicians. We need more such mechanisms, not fewer.

The recall procedure is a political reform that came out of the progressive era of American politics. It was designed to wrestle control of the political process away from entrenched special interests and politicians who had been bought off by them. But now commentators want the politicians to be immune from voter disapproval. David Broder of The Washington Post recently moaned: "The recall is the byproduct of almost everything that has gone wrong in our political system. Partisan excess, rampant personal ambition, dereliction of leadership, media inattention, phony populism and, as usual, the influence of money all are part of this nearly unprecedented perversion of representative government."

How in the world is what occurred in California "phony populism?" For years and years liberal political analysts such as Mr. Broder have been bemoaning voter apathy and disengagement from politics. Here millions of voters mobilized in record numbers in California to change the way their government is being operated, and the exercise is being denounced as a circus. No wonder voters are cynical.

Today only 15 states allow citizens to recall their politicians for incompetence, criminal behavior or other misdeeds in office. This allows the voters to rebel peacefully against political arrogance and misconduct.

This is a commonsense voter disciplining measure to keep the politicians accountable to the people who put them in office. The nation needs more such mechanisms to ensure accountability, not fewer.

We believe that every state should have empower their citizens with three basic rights as voters: referendum, initiative and recall.

These measures each put power into the hands of voters at a time when politicians, bought off by trial lawyers, unions or business interests, refuse to put the public interest first.

We also favor a constitutional amendment to permit voters in states and congressional districts to recall their congressional representatives in Washington. That would make members of Congress stop and think before they run $500 billion budget deficits, vote themselves preposterous pay raises, kite checks from the congressional bank, and engage in other mischief.

Thomas Jefferson had it exactly right when he once declared: "A little rebellion now and then is a good thing." That is what happened in California. With a bigger budget deficit than all the other 49 states combined, the political system in Sacramento needed a good shake-up. Too bad so few states allow this peaceful form of rebellion to take place through the power of recall.

Stephen Moore is president of the Club for Growth. Paul Jacob is president of Citizens in Charge, which promotes the voter referendum and initiative process.

LOAD-DATE: October 9, 2003

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The Washington Times

August 31, 2003, Sunday, Final Edition

SECTION: COMMENTARY; Pg. B01

LENGTH: 593 words

2704417747

HEADLINE: Recalibrating the gas gauge

BYLINE: By Stephen Moore and Phil Kerpen, SPECIAL TO THE WASHINGTON TIMES

BODY:
With arrival of the Labor Day weekend and gas prices reaching $1.79 a gallon in many markets and even topping $2.00 a gallon for premium unleaded, newspapers have been full of headlines about "record prices."

But the talk about record highs is based on a common economic fallacy - a failure to adjust for inflation over time. General inflation raises the overall level of prices throughout the economy. The real issue is whether gasoline prices are rising relative to the other costs of goods and services. And if we measure energy and gas prices correctly, we find that gasoline, although the price has risen by more than 20 percent in recent weeks, is still affordable in historical terms.

The Energy Information Administration reports gasoline prices in both nominal and real terms. The real prices are adjusted for the effects of inflation by applying the implicit gross domestic product [GDP] price deflators to compare prices in constant 1996 dollars. As the chart shows, the current "record high" price is quite moderate by historical standards. We had higher retail gasoline prices as recently as 1985, and significantly higher prices from 1979 to the mid 1980s.

The late Julian Simon, a Cato Institute adjunct scholar, was famous for teaching us that it is most important to look at the very long-term trends in prices of natural resources, if one wants to make predictions about the future. Here is what his long-term data on energy and gas prices tells us. Gasoline prices paid at the pump have been on a steady rate of decline since the 1920s, with the obvious exception of the 1970s, when we faced an embargo by the Organization of Petroleum Exporting Countries and gasoline lines.

In 1920, the real price of gas [excluding taxes] was twice as high as today. If the price of gasoline relative to wages were comparable today to what they were in 1920, we would be paying almost $10 a gallon for gas. [See "The State of Humanity," by Julian Simon, Blackwell Publishers, 1995, Chapter 28.]

The same is true, by the way, for the cost of electricity and oil. Oil is slightly cheaper today adjusted for wage growth than it was 50 years ago and 5 times cheaper than 100 years ago. Electricity in to our homes is about one-half as expensive as 50 years ago, and despite the recent black outs, the service is more, not less reliable.

Time magazine recently published a major story warning that the world is running out of energy. The authors of that story, Donald Barlett and James Steele, are completely misinformed. Given new technologies in the energy industry and the new oil deposits being found in Russia and other nations around the world, the likelihood is that prices of gasoline, oil and electricity will fall throughout the 21st century, just as they did in the 20th. If Julian Simon were still alive, he would gladly bet Mr. Barlett and Mr. Steele or any other pessimists a tidy sum that prices will fall not rise over time. He has at least 100 years of history on his side. And he never lost a bet.

One last word on the rising cost of gasoline. American motorists should be mighty pleased that the United States does not adopt the economically dysfunctional high-energy tax policies that are commonplace in Europe. There, gasoline often reaches $4 a gallon with more than half the price collected in taxes. Perhaps $2 a gallon gasoline is a bargain after all.

Stephen Moore is a senior fellow with the Cato Institute. Phil Kerpen is a research assistant with the Club for Growth.

LOAD-DATE: September 1, 2003

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The Washington Times

August 8, 2003, Friday, Final Edition

SECTION: COMMENTARY; Pg. A17

LENGTH: 979 words

HEADLINE: Get government out of GDP

BYLINE: **By Stephen Moore and Phil Kerpen, SPECIAL TO THE WASHINGTON TIMES**

BODY:

The latest GDP report of 2.4 percent real growth in the second quarter of this year is good news for the American economy and reduces fears of a dreaded double-dip recession. Caroline Baum of Bloomberg notes that this stronger-than-expected GDP growth confounded most economists, who had been much less bullish on the U.S. economy.

There were nuggets of good news in the Commerce Department report: Private domestic investment is up, and equipment and software purchases increased a solid 71/2 percent, the largest increase since 2000, signaling that perhaps the long-awaited supply-side recovery is now under way. Combined with strong demand growth of 3.3 percent, the economy seems on the verge of an accelerated recovery.

But the bad news is that GDP itself is still a grossly misleading way of measuring the state of the national economy, as economist Lawrence Kudlow had pointed out many times on these pages.

The headline-grabbing number of 2.4 percent growth, immediately applauded throughout the media as strong, is about double the real rate that the private economy grew. While the private economy grew at about 1.3 percent, the federal government component of GDP increased by a staggering 25 percent, the largest quarterly increase in more than three decades. The increase was due almost entirely to the high cost of the war in Iraq. But even domestic agencies saw growth in their budgets far surpassing private sector growth.

The important word here is "cost." Wars are a cost, not an asset.

You fight wars because you have to - because there are bad people in the world. But to suggest the war was good for the economy would be as dimwitted as suggesting Saddam Hussein deserves a medal of honor for helping revive the U.S. economy.

Defending U.S. interests militarily is a legitimate and necessary function of government, but it eats up resources and reduces growth, rather than enhancing it. So to a large extent, the growth reported this past quarter is a statistical mirage. The way we currently measure GDP makes billions of dollars spent look on military expenditures look like productive economic activity.

We should stop counting government growth in GDP. John Maynard Keynes was wrong, after all, when he said government spending stimulates a strong economy.

We now know government growth does not enhance a free market economy; it crowds out productive private enterprise and production of wealth-enhancing goods and services. This convention of counting government spending as an asset rather than a liability creates the illusion that bigger government means more prosperity. Where on Earth has that ever been the case? Certainly not the former U.S.S.R., East Germany, Japan or Argentina.

The dramatic expansion of government we have seen in the United States over the past century no doubt had some positive benefits. The government builds roads and schools and spends money on our national defense and police and fire service. The problem is that many of the goods produced in the public sector add little value to the wealth of the citizenry. These are goods and services demanded by politicians, not by willing consumers in the free marketplace.

The real resources in the economy captured by government for additional public sector spending can only come from three sources: taxes, debt or inflation. The build-up of any one of these funding sources can have influenza effects on a capitalistic economy. In the 1970s, all three accelerated at once, and the U.S. industrial economy collapsed until rescued by Ronald Reagan's supply-side and limited-government ideas.

In 2001 and 2002, the government component of GDP was growing about 4 percent yearly, whereas private businesses increased their output by less than 1 percent. Since most Americans are employed by private businesses, not government, and since more than half of American workers are also stockholders and thus owners of the private-sector corporations in America, the growth of government does not make America's workers feel more prosperous in any way.

Continual growth in government, one of the key components of GDP, probably does more harm than good for our private-sector-driven high-technology economy. Government growth does not drive productivity. It does not rally the stock market. It does not put more Americans to work [unless they work for the government itself]. And it does not raise incomes of workers [in fact, because it necessitates higher taxes, it reduces take-home pay].

Here is our proposal: The conventional GDP numbers should be replaced with Private-Sector GDP. Private-Sector GDP would omit government spending from the calculations. This would allow us to measure how much the market-based economy is expanding over time. By excluding government spending, no longer would economists and policymakers automatically assume the Keynesian theory that increasing government spending increases economic output.

Let's measure GDP correctly. Activities that add to wealth should be included; expenditures that reduce wealth excluded. Sorry, but when we calculate economic growth correctly, our performance is still underwhelming. We would make the case that the single most productive thing Congress could do to revive prosperity and jobs would be to cut government spending as much as possible. By all means, bring a chain saw.

But this advice is exactly the exactly the opposite of what the GDP calculators would tell us to do. The New York Times just published a Page One story arguing that the reduction in state and local government spending this year is having a contractionary effect on the U.S. economy. Here we have the perfect example of how statistics lie and liars figure.

Stephen Moore is president of the **Club for Growth**. Phil Kerpen is a research assistant at the **Club for Growth**.

LOAD-DATE: August 8, 2003

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The Washington Times

July 21, 2003, Monday, Final Edition

SECTION: COMMENTARY; Pg. A20

LENGTH: 653 words

HEADLINE: Those tax cuts beginning to work

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Finally, some overdue good news for workers: Your paychecks are getting higher, thanks to the recently passed Bush tax cut.

The new tax cut officially took effect July 1. This means that the typical middle income working family with two or more children will save more than $1,200 on federal income taxes this year.

Unfortunately, the Democrats are already trying to snatch this money away by canceling the tax cut. At least four of the presidential wannabes in the Democratic field say they want the tax cut repealed even before workers get a penny of relief. So much for the pro-worker Democratic agenda.

Here's more good news: The stock market has risen almost 10 percent since the tax cut passed. This increase in stock values has increased Americans' wealth by almost $1 trillion already. The cuts in the capital gains tax and the dividends tax [to a 15 percent rate for each] has made stock ownership more valuable, and shareholders are reaping big monetary gains. So a tax cut of $350 billion has already caused asset values to rise by nearly three times that amount. That's one heck of a return on investment.

This mini-rally of the stock market is exactly what advocates of President Bush's tax cut predicted. We argued that the reduction in the income tax rates and the dividend and capital gains taxes would stimulate the economy almost immediately by reversing the stock market decline and increasing the after-tax value of equities.

Mr. Bush's opponents not only dismissed the case for an improved stock market, they projected that the Bush tax cut would harm the economy by jacking up long-term interest rates. Democratic Senator Kent Conrad of North Dakota moaned that the Bush economic plan would "raise interest rates, crowd out private sector investment and slow long-term economic growth."

Mr. Conrad and other critics have been wrong on all counts. It is true that the overall economy is still growing too slowly. But from the time the tax cut was passed through July 12, the Wilshire 5000 index rose from 8,773 to 9800, a 9.2 percent gain. The NASDAQ is up even more, 14.2 percent. Because 52 percent of Americans own stock, the wealth effect of this market rise has been broadly distributed to income groups.

Now it is undeniably true that hundreds of factors impact the stock market other than taxes. The stock market could easily capsize again next week, and the Dow Jones could tumble again. But so far at least, the stock market as a whole seems to like the tax cut as much as investor-class voters do.

Here is what is even more impressive. Interest rates have not risen. They have fallen in response to the tax cut. In fact, just a few weeks ago the mortgage interest rate slid to below 5 percent for the first time since before Elvis Presley died. The average home mortgage rate has fallen by some 20 basis points since the middle of May.

The tax cut probably did not cause the interest rates to fall, but these numbers are the equivalent of a Boston cream pie in the face of the tax-cut skeptics who predicted soaring interest rates that would burden homeowners and small businesses. It is worth noting here that in the 1980s the anti-Reagan skeptics also said that tax cuts would cause higher inflation and higher interest rates, and both fell by half during his presidency.

So the Bush tax cut is not just putting more money into workers' pockets, it's helping their IRAs and 401k retirement plans rebuild wealth that has been lost since 2000. That's a supersized payoff from a tax cut that is only two months old.

Mr. Bush is developing one of Ronald Reagan's most endearing qualities: Both on military and domestic policy, he is time and again proving his staunchest and most self-righteous critics on the left dead wrong.

No wonder they don't like him or his policies.

Stephen Moore is president of the **Club for Growth**.

LOAD-DATE: July 21, 2003

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The Washington Times

July 16, 2003, Wednesday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 899 words

HEADLINE: Pull the re-regulation plug

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Deregulation has been one of the great public policy success stories over the past quarter century. Consumers have been the big winners through lower prices and more choices. The lifting of federal airline ticket price regulations in the late 1970s ushered in the modern era of affordable discount airline travel. Tickets for flying between major cities can be bought today at about half the cost of what airlines charged 20 years ago.

Similarly, Ronald Reagan's first official act as president was the deregulation of the oil industry in 1981. With a stroke of a pen, the energy crisis and the gasoline lines of the 1970s vanished. As a consequence of ending price controls for oil, the inflation-adjusted price to fill up your gas tank is far lower today than it was in the 1970s.

But we have learned another lesson about deregulation in recent times, too. When Congress or state lawmakers botch the plan - when they engage in phony deregulation schemes - things can go catastrophically wrong.

That's precisely what happened in California during the infamous electricity blackouts and skyrocketing prices last year. During the worst stage of the electric power shortage, California homeowners and businesses had to ration their electricity use, dim the lights and turn off their air conditioners. A basic service that we as Americans take completely for granted - the cheap and uninterrupted access to electric power for light, for heat, for running our computers, powering our hair dryers and dishwashers, and for accessing the Internet - was suddenly a scarce commodity. Electric utility prices skyrocketed because the California legislature implemented a tragically flawed electric power restructuring plan.

To fix the mess, Californian taxpayers got stuck with a multibillion dollar bailout bill that has made the most alarming state fiscal debt crisis in history even worse. Oops.

Next week, Congress will vote on a new electricity reregulation scheme that could duplicate the anti-consumer mess we just witnessed in Sacramento. Uncle Sam's energy regulators want to establish a new Rubiks' cube plan for electricity markets, which would impose vast new federal control over state and local electric utilities. The plan hopes to lower prices and expand efficiency of the national electricity market by requiring private power-generating companies across the country to come under the authority of newly created Regional Transmission Organizations.

Washington regulators at the Federal Energy Regulatory Commission [FERC] who contrived this new federal power grab - no pun intended - falsely label their plan a form of pro-competition deregulation. That's a stretch, to say the least. Deregulation should not require 603 pages of new rules.

It should not cost $750 million to implement. And if this is deregulation, why does the flow chart of this organizational redesign make the 1993 Hillary Rodham Clinton socialized medicine plan seem sane and comprehensible by comparison.

The new scheme also appears to create clearly definable winners and losers - and it should be no surprise that the winners are the politically powerful states. Places like New Mexico, Arizona, Colorado, Idaho and many Southern states are expected to see utility prices rise under this beggar thy neighbor scheme, while more of their power gets exported to the major power using centers like California, New York and Chicago.

What is unexplainable about this new spider web regulatory scheme is what the policy problem is here that Congress is trying to solve. For years and years, electricity prices have been falling in the United States. This is precisely what the Department of Energy concedes, when it recently noted that over the past century, "the electric power industry has generally been marked by substantial growth in capacity and generation and dramatic declines in price." A Cato Institute report finds that the average household pays less than one-third in wage-adjusted prices for electricity today as did the equivalent household in 1950.

Supporters of the new federalization idea hope that it will reduce utility costs by $1 billion annually. But Thomas Lenard, the respected energy analyst at the Progress and Freedom Foundation, notes that the overall production capacity of electricity could easily fall under this new plan because of the added risk element to new investment from this new untested regulatory regime. That would mean higher, not lower utility prices. Mr. Lenard's warning is worth repeating and demands the upright attention of Congress: "If FERC continues on its current path, the California electricity mistake will be repeated at the federal level, and the next electricity crisis may affect the entire nation."

That would chase Republicans out of office en masse.

Congress should reject the new federal reregulation of electricity markets. Yes, the electricity markets should be fully deregulated, but deregulated the right way. That would mean precisely the opposite of what Congress is considering and what California tripped over in recent months.

Deregulation means that the federal regulatory apparatus is dismantled, not empowered. As Mr. Reagan proved, true deregulation does not require 600 pages of new law; it just requires a stroke of the pen.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: July 16, 2003

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The Washington Times

May 22, 2003, Thursday, Final Edition

SECTION: COMMENTARY; Pg. A20

LENGTH: 870 words

HEADLINE: Winning the tax-cut wrap-up

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Victory on the tax bill is so close now that taxpayers and investors can taste it. Let's just hope that Republicans don't find a way to snatch defeat out of the jaws of victory. As one influential Senate aide confided to me yesterday, "We're very close to winning, but don't forget, we're the party that has a tendency to shake salt on our pudding pie."

One strong confirmation of the extent of the victory for tax cutters last week in the Senate is that the left has gone apoplectic over the tax bill that passed by 2 votes. One of my common TV and radio sparring partners, a former Clinton administation economist, moaned the other day: "This was a complete victory for your side. There is no way to sugar coat this setback for the Democrats. Congratulations."

Even better news comes from Monday's Wall Street Journal. The front page story screams: "Tax Cuts Are Bigger Than They Look in Budget."

Ahh, music to my ears. Here is what has the Journal's reporters all worked up in a frenzy: "The tax cut approved by the Senate would repeal the tax that shareholders pay on dividends. It would allow investors to shield half their dividends from income taxes this year and all dividends for the next three years. [Hooray.] After that, the dividend tax would return in full."

Now here is my favorite part: "But neither friends nor foes of the dividend tax expect Congress to reinstate the tax in 2007." If the dividend tax is permanently repealed, the real price tag of the tax bill is at least $700 billion.

Getting the dividend tax to zero, if even for three years, is a very big deal. If you had asked me at the beginning of the year, what are the chances of getting 51 votes in the Senate for a full elimination of the dividend tax in the United States, I would have said about the same likelihood that the Cubs and White Sox will meet in the World Series [which Vegas oddmakers say is a 1 in 1,000 longshot]. Well, we just hit the jackpot.

So what do House and Senate negotiators need to do now to take the best of both bills and pass a truly heroic and historic pro-growth tax bill?

Three things:

1. Eliminate the nasty tax increases in the Senate bill. The Senate bill contains $70 billion in tax increases on Americans workers and companies doing business in foreign countries. These provisions are ill-designed and economically unjustified. Republicans should not be in the game of raising taxes on anyone. The House should work to pare down the size of these tax hike offsets.

2. Provide tax relief, not $20 billion in handouts to the states. The tax cut is the best relief that Uncle Sam can possibly give to the fiscally strapped states. Sending $350 billion back to state taxpayers is a powerful stimulant to local economies. Moreover, states should cut back on their spending during these tough times after a decade of rampaging spending by governors. Most states doubled their budgets over the past 10 years. The last thing they need is free money from Congress to continue on with the spending spree. And what is the logic of Congress taking money from a person living in Iowa bringing it to Washington, then sending it back to Iowa? Why not cut taxes at the federal level as much as possible and let Iowans raise their own taxes if need be?

3. To provide more economic punch to the tax bill, cut the capital gains tax, too. The Bush plan provided a capital gains tax for those who own stock in companies that retain earnings. The House bill cuts the capital gains tax to 15 percent. The Senate bill has neither provision. The evidence is clear that when we cut the capital gains tax, the stock market rises and capital gains revenues rise. This tax bill needs to cut the dividend and the capital gains taxes.

The House and Senate have now passed tax bills that are both explosively pro-growth and a major step forward in the never-ending battle to reform the tax system. One of the nation's top economists, Brian Wesbury of Griffin, Kubik and Stephens of Chicago, says this tax bill could turn out to be "the best pro-growth tax bill since the Reagan tax cut in 1981."

He also predicts that if a tax bill with the positive features or the House and Senate versions passes, we could see a strong economic and stock market recovery starting in the second half of 2003 and right through 2004. Republicans should like that scenario.

Of course, the gamble is that once we get the dividend tax down to zero, that no one in Washington would actually be foolish enough to propose raising it back up to 35 percent in 2007. Of course, you can make a lot of money gambling that Congress will do monumentally stupid things, but in this case I agree with the Wall Street Journal assessment that when we get to zero, we will stay there.

If the tax cutters prevail, in just three years President Bush will have succeeded in eliminating the death tax and the dividend tax while lowering the top tax rate from 40 percent to 35 percent. One step at a time, this president is taking us down the path to the promised land of a simple, fair and pro-growth flat tax.

Shhh. Don't tell anyone.

Stephen Moore is president of the **Club for Growth.**

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The Washington Times

May 13, 2003, Tuesday, Final Edition

SECTION: COMMENTARY; Pg. A17

LENGTH: 669 words

HEADLINE: Taxation . . . or confiscation?

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
The other day Massachusetts Democratic Sen. Edward M. Kennedy was asked by a reporter why he opposes President Bush's tax cut when his brother, President Kennedy, advocated an even greater percentage cut 40 years ago.

Back in 1963, Kennedy cut income taxes by 30 percent and the economy soared, and now, course, Mr. Bush wants to do something similar. Here was part of Mr. Kennedy's response to the apparent contradiction: "The tax laws at that time were 90 percent on income. They were effectively confiscatory."

Hold the phones, folks. We now have one of the most liberal members of Congress conceding that tax rates above 90 percent are confiscatory. At a 90 percent tax rate, the worker or investor gets to keep 10 cents for every additional dollar earned, and the government snares 90 percent. Yes, we can now all agree, that such a policy is confiscation.

What, one naturally wonders, do Mr. Kennedy and other liberals think of an 80 percent tax or a 70 percent tax. Is that rate of tax excessive? Where exactly do we draw the line between tax fairness and a tax mugging? Could we all agree at a minimum that any tax of over 50 percent is unfairly confiscatory?

It may surprise Mr. Kennedy to learn that thanks to the many layers of tax we impose on Americans who engage in the virtuous behavior of saving money, these savers often face an effective tax rate that can reach 70, 80 and even 90 percent. This happens because the IRS imposes multiple layers of cascading taxes on the same dollar that is saved. These taxes include the income tax, the capital gains tax, the interest income tax, the corporate tax and then finally the death tax.

Consider the dividend tax, which is the main subject of the Bush tax cut plan. Some people like Warren Buffet complain that it is unfair to cut the tax on dividends for rich people like him. [He is free not to take the tax cut if he doesn't want it.] In any case, many millions of Americans not nearly as rich as Mr. Buffet pay taxes twice for dividends. The company must pay a 35 percent tax on the profits that it earns and then if that after-tax money is paid to the shareholders in a dividend, they get smacked with a tax as high as 38 percent. That's a 73 percent tax on dividends.

Aha, here we have a confiscatory rate of tax on owners of stock. And as such, isn't Mr. Bush then right to call for the end of this double-tax on tax fairness grounds alone?

Most Americans would say yes. Polls over the past 10 years have consistently found that the majority of Americans think that no family in the United States should have to pay more than 25 percent of its income in taxes. As the Wall Street Journal has pointed out in reviewing these polls, the 25 percent cap includes all taxes: sales taxes, property taxes, payroll taxes, income taxes, cigarette taxes, business taxes, car taxes, you name it. The government is not welcome to more than one-fourth, no matter whether we are talking about Bill Gates, or the janitor who cleans Bill Gates' office at night.

The left in the United States defines "tax fairness" as soak the rich. If Britney Spears or Kobe Bryant earn too much money this year, according to the greed and envy warriors, tax it away from them. By contrast, most people define tax fairness as a policy wherein all Americans live by the same set of rules. And those rules or laws should be fairly applied to all.

This is the basis for a just society and one that allows Americans to keep the dividends from their hard work and enterprise. It is the American way.

There are many economic growth and job creation justifications for enacting quickly the Bush tax cut. The tax plan will clearly add value to the sputtering stock market. But one rationale for the tax cut that has been overlooked is that ending the double tax on dividends would create a fairer tax system for all of us. Mr. Kennedy may not agree with that, but his brother surely did.

Stephen Moore is president of the **Club for Growth.**

LOAD-DATE: May 13, 2003

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The Washington Times

April 6, 2003, Sunday, Final Edition

SECTION: COMMENTARY; Pg. B01

LENGTH: 709 words

HEADLINE: Tax plan revival?

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
News commentators around the country are celebrating the recent vote in the United States Senate to slice in half the size of President Bush's bold tax cut plan. A New York Times editorial trumpets the vote as a triumph for "fiscal sanity in the Senate." CNN [the Clinton News Network] could hardly contain its glee when it described the action in Congress as "a devastating setback for the president's tax cutting agenda."

It's not surprising that the liberal-biased media applauded the no vote on the tax plan. The folks at the indispensable Media Research Center find that "news" items on Mr. Bush's $725 billion tax relief plan have been running "at least 4 to 1" against the proposal. The media is not serving as a neutral judge of the Bush tax plan; they are serving as its executioner.

But Mr. Bush's tax cut is not dead nor should it be. With every passing day there are further flashing signs that the limping economy desperately needs this tax cut stimulant. With consumer confidence recording its fourth straight month of negativity, the stock market bears still growling with discontent, and the manufacturing sector still bleeding jobs, a tax cut stimulus would provide the U.S. economy with the kind of adrenaline rush that a 3 point shot does in the waning minutes of a tied NCAA basketball game during March Madness.

Tax cuts clear away barriers to new job creation and new business investment. This economic growth strategy worked for John F. Kennedy in the 1960s; it worked for Ronald Reagan in the 1980s; and it will work again for Mr. Bush now.

So why the temporary setback in the Senate? George Voinovich of Ohio, one of the three Senate Republicans who bucked his own party on the tax vote, said taxes should not be cut during a time of war. Nonsense. The best way to assure victory in this war against terrorism is to stoke the fires of America's powerful engine of economic growth so that it's running again on all cylinders. This is precisely the strategy Mr. Reagan used to win the Cold War. We triumphed against the Soviet Union thanks to a combination of vast military and economic superiority. The goal of the terrorists is to disable the U.S. economy. Pro-growth tax cuts are a powerful defense mechanism to foil this strategy.

The top Senate Democrat, Tom Daschle of South Dakota, complained last week that the Bush plan will blow a grenade-sized hole in the budget deficit. Deficit spending is indeed a big problem in Washington these days. But it is the absence of speedy economic growth [as we grew accustomed to in the 1980s and 1990s] that has thrown the budget into severe imbalance. Without American small businesses making profits and with unemployed workers unable to find decent-paying jobs, how in the world does Mr. Daschle think Americans will generate the tax revenues to balance expenditures and receipts?

Growth and expenditure restraint are the keys to eliminating red ink on Capitol Hill. If President Bush's tax plan increases economic growth by just 1 percentage point a year and if federal expenses are cut back to the rate of inflation, we will have a balanced budget by the year 2006 and we will even have a $100 billion surplus. Even in Washington, that's a lot of money.

The crown jewel of the president's tax plan is the elimination of the dividend tax on owners of stock, which is more than half of all Americans. The economics firm Kudlow and Co. estimates that just that one provision would increase stock values immediately by 5 percent to 15 percent. That boost to the stock market would increase the net worth of American families by between $500 billion and $1 trillion. The Heritage Foundation economic forecasting model says the president's tax plan would create 3 times as many new jobs as the Senate Democratic alternative.

The White House said again this week that the president will not compromise on his tax plan if the alternative means more jobs lost and less economic growth than America is capable of achieving. And that is exactly what the alternative means. Fight on, Mr. President. Your critics don't have a leg to stand on.

Stephen Moore is a senior fellow at the Cato Institute and president of the Club for Growth.

LOAD-DATE: April 7, 2003

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The Washington Times

March 10, 2003, Monday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 829 words

HEADLINE: Challengeable from supply side

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
One of President Bush's top and most talented economic advisers, Glenn Hubbard, has resigned as chairman of the Council of Economic Advisers. As his successor, the White House has chosen Harvard economist Gregory Mankiw.

This is a pivotal position in the White House team, because although both Treasury Secretary John Snow has proven to be a strong spokesman for the administration's economic policies, he is not a professional economist; nor is National Economic Committee Chairman Steve Friedman. It is imperative that Mr. Bush put a strong and persuasive advocate of supply-side economic policies in this job both to help sell the financial benefits of the current tax cut plan and to pursue even bolder pro-growth policies down the road.

Professor Mankiw is not that man. I say this never having met or spoken to Mr. Mankiw. I say this as someone who has read his writings.

The Bush administration should too before they go forward with this appointment. They should read before they leap. I would refer the White House to the third edition of his book, "Macroeconomics." In that book, Mr. Mankiw refers to Ronald Reagan's supply-side economics advisers as "charlatans and cranks." And here is an incriminating passage from a section of the book about the Reagan years titled "Charlatans and Cranks:"

"An example of fad economics occurred in 1980, when a small group of economists advised presidential candidate, Ronald Reagan, that an across-the-board cut in income tax rates would raise tax revenue. They argued that if people could keep a higher fraction of their income, people would work harder to earn more income. Even though tax rates would be lower, income would rise by so much, they claimed, that tax revenues would rise. Almost all professional economists, including most of those who supported Reagan's proposal to cut taxes, viewed this outcome as far too optimistic. Lower tax rates might encourage people to work harder and this extra effort would offset the direct effects of lower tax rates to some extent, but there was no credible evidence that work effort would rise by enough to cause tax revenues to rise in the face of lower tax rates.

"Nonetheless, the argument was appealing to Reagan, and it shaped the 1980 presidential campaign and the economic policies of the 1980s."

It gets worse. Here is the conclusion of Mr. Mankiw's analysis of the Reagan years:

"People on fad diets put their health at risk but rarely achieve the permanent weight loss they desire. Similarly, when politicians rely on the advice of charlatans and cranks, they rarely get the desirable results they anticipate. After Reagan's election, Congress passed the cut in tax rates that Reagan advocated, but the tax cut did not cause tax revenues to rise."

Never did President Reagan nor any of his economic advisers predict that the tax rate cuts would increase tax revenues. They merely predicted that the revenue losses from the tax cuts would be lower than anticipated.

These insulting passages display an enormous level of ignorance about the economic reality of the 1980s. Mr. Mankiw echoes the classic liberal Keynesian attack against the Reagan economic policies that created an 18-year expansion and a $16 trillion increase in wealth. Wasn't that a "desirable result?"

Mr. Mankiw seems unaware of, or else he has negligently ignored, the economic reality that tax revenues doubled between 1980 and 1990. Where was the loss of revenues that Mr. Mankiw moans about? Mr. Mankiw should read Larry Lindsey's book "The Growth Experiment," which carefully documents the increase in tax revenues from high-income individuals after the Reagan income tax cuts.

The latest edition of the book has omitted these passages. Perhaps Mr. Mankiw has seen the errors of his way [hopefully], or perhaps he shrewdly realized how damaging these quotes might some day be to his future political viability - to borrow a phrase from Bill Clinton.

But for several years he was indoctrinating young economists with wrongheaded thinking about supply-side economics. And the statements are matters of the public record that no doubt would come back and haunt Mr. Mankiw if he were to get the job of selling President Bush's supply-side policies.

Mr. Mankiw was also an informed adviser to presidential hopeful John McCain in the 2000 election. Mr. McCain attacked Bush's economic and tax cut agenda. This, too, does not inspire confidence in Mr. Mankiw.

The good news is there are a multitude of brilliant supply-side academics who would be superb chief economists at the White House. I am thinking of talented people like Brian Wesbury of Chicago, Richard Vedder of Ohio University and David Malpas of Bear Steams.

Mr. Mankiw is right about one thing. The economics profession is filled with too many charlatans and cranks. Let us hope that Mr. Mankiw is not one of them.

* Stephen Moore is president of the Club for Growth.

LOAD-DATE: March 10, 2003

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The Washington Times

February 6, 2003, Thursday, Final Edition

SECTION: COMMENTARY; Pg. A20

LENGTH: 777 words

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HEADLINE: Spending orgy . . . in behemoth budget

BYLINE: By Stephen Moore , SPECIAL TO THE WASHINGTON TIMES

BODY:
Whatever happened to the GOP's crusade against bloated government? President Bush's $2.25 trillion budget released Monday is almost 30 percent larger than the budget he inherited three years ago. Since the Republicans took over Congress in 1995, the budget has grown by 50 percent. If the Republicans are fighting a war against big spenders, the big spenders are winning.

There is much to admire in President Bush's budget released Monday.

The president's $670 billion tax cut will propel economic growth and deprive the spenders in Washington of dollars they would otherwise squander. The proposal to turn more control of Medicaid over to the states is ingenious - and has the potential to spawn health-care reforms at the state level in a manner similar to the dramatically successful state-based welfare reform in the 1990s.

The White House also deserves praise for calling for a substantial expansion of IRAs so Americans can build privately owned pools of capital. This will increase the savings rate in America; will move us closer to a genuine flat tax that ends punitive tax treatment of saving and investment; and will make Americans more financially secure and less dependent on government programs in the future.

But in this budget, as in President Bush's first two, there is way too much government spending. President Bush has requested a 4 percent increase in discretionary programs. Given the $200 billion to $300 billion in deficit spending expected this year, and given that we may soon be fighting a costly war in the Middle East, 4 percent increases in domestic programs - funding for the Legal Services Corp., the National Endowment for the Arts, Bilingual Education, and other such oinkers - is excessively generous in the extreme. Domestic discretionary spending should be at most frozen at current levels at least until the budget is brought back into balance.

If history is any guide, the 4 percent increase in spending is likely to be a floor, not a ceiling on expenditures this year. In recent years, congressional appropriators have nearly doubled President Bush's spending requests. Consequently, the discretionary budget has grown by nearly 15 percent in Mr. Bush's first two years in office - more than it did in President Clinton's first four years in office. In fact, Mr. Bush is on a pace to be the biggest spender in the White House since Lyndon Baines Johnson.

It's not just Democrat obstructionism - in fact, discretionary spending has, after an initial decline, rapidly expanding since Republicans gained control of Congress in 1994. In their first three budgets [fiscal 1996-98], the Republicans increased domestic spending by $183 billion compared to a $155 billion increase in the three years prior to Republican control of Congress. Not a single Cabinet agency has been eliminated. And few of the 300 federal programs that were targeted for closure - a list that included the National Endowment for the Arts, the Legal Services Corp., bilingual education funds, urban transit grants, and Goals 2000 - have actually been terminated. President Bush should call for a Commission to Terminate Wasteful, Inefficient, and Unnecessary Federal Programs.

Spending also is growing faster than the economy, as the Table shows. We are now back to Uncle Sam pick pocketing 20 cents of every dollar we earn. That does not include the money that states and cities take from our paychecks.

President Bush must make the case that during times of war, spending on domestic programs needs to be curtailed until the crisis is over. In most wartime periods in American history, domestic spending has fallen so the nation's resources could be fully deployed to defeat foreign menaces.

The war on terrorism is the top national priority for our government today.

Fixing the economy is a close second. Both of those priorities are compromised when congressional appropriators waste scarce tax dollars on domestic pork and special-interest projects.

Mr. Bush can reverse the spending spree that has stained his presidency and defend his spending priorities by starting to make aggressive use of the veto pen. Virtually every spending bill Congress has sent to his desk over the past two years has deserved a veto stamp. Powerful presidents like Ronald Reagan and Franklin Roosevelt used the veto to great end to force their spending priorities on Congress. As Mr. Reagan said, "Controlling government spending is like protecting your virtue; you just have to learn to say 'no.' "

Stephen Moore is a senior fellow at the Cato Institute and president of the **Club for Growth**.

LOAD-DATE: February 6, 2003

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The Washington Times

January 28, 2003, Tuesday, Final Edition

SECTION: COMMENTARY; Pg. A19

LENGTH: 910 words

HEADLINE: Snow forecast

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
The Daschle-Democrats are on the war path on the economy. They are crassly rooting against a recovery, and they are working like armies of wood ants behind the scenes to erode any and all of President Bush's economic initiatives - including most prominently his bold tax cut plan. Anything that would hasten an economic growth revival before the 2002 elections, they reflexively oppose.

Now we will find out whether that opposition also applies to any person who wishes to spur faster economic growth. Today, President Bush's Treasury secretary nominee John Snow, the former chief executive officer of CSX Railroad, goes before the Senate for confirmation hearings. Some Senate Democrats have been threatening to convert these hearings into an ugly and coordinated campaign of character assassination against Mr. Snow. Conservatives have become all too familiar with the brutish politics of personal destruction that the Senate Democrats are capable of with regards to many of President Bush's judicial nominees.

It's high time that conservatives in the Senate fight back if those tactics are brought to bear against Mr. Snow - who is an exceptional choice for the job.

I must confess I know John Snow personally, like him very much, and have an unqualified admiration for his political views and his supply-side instincts. We met when we both served on the Kemp Commission on Tax Reform. What became clear during those months is that Mr. Snow wants what the vast majority of Americans want: a radically simplified, single-rate tax system that clears away the barriers to growth in the IRS tax code, eliminates unfair subsidies, flattens tax rates, and doesn't require hoards of accountants, lawyers, and Valium pills to figure out tax liabilities.

Jack Kemp tells me John Snow is "thoroughly on the supply side when it comes to the case for lower tax rates." He is also a free trader and an inflation hawk. There's very little in this man's record not to like from a policy standpoint.

John Snow has a sterling record of accomplishment as a railroad executive. When he became CEO of CSX he helped turn this once-moribund railroad into a profitable enterprise - though it certainly has gone through through rough patches. His stewardship has created wealth for shareholders and tens of thousands of jobs for rail workers.

Any case against Mr. Snow's professional capabilities will be weakened considerably, given that several unions have written letters to President Bush commending him for choosing Mr. Snow for the Treasury secretary slot. Byron Boyd, the president of the United Transportation Union writes: "The thoughtful and successful approaches that CSX has taken on safety and labor relations are but two examples of John's ability. ... I urge the Senate to confirm him expeditiously."

In this post-Enron political environment where every CEO is a member of a suspect class, the Democrats are expected to attack Mr. Snow for receiving multimillion-dollar bonuses and loans. There is no smoking gun here. Mr. Snow's compensation packages were in no way out of line with the incentives given to CEOs of similarly-sized companies.

To get top talent - like John Snow - firms must pay top dollar. This is the economic reality of the marketplace. Why should making money for successfully running a company be invalid? And if it is, how in the world was Robert Rubin ever confirmed as Treasury secretary? Mr. Rubin made far more money running Goldman Sachs than Mr. Snow has. So did Sen. John Corzine, New Jersey Democrat, also a partner at Goldman.

Why is making money only a crime when the wealth creator is a Republican?

Democrats will also certainly use the Snow confirmation hearings as their first opportunity to savage the president's economic plan in a public forum. That's fair game. Mr. Snow must not back off. He, and the Senate Republicans must assault the assaulters. The Republicans should recite the history of supply-side tax reduction successes under John F. Kennedy and Mr. Reagan and even Mr. Clinton, when he signed the capital-gains tax cut in 1997.

They should ridicule the Democratic plan, which stimulates nothing but growth in government - and provides about one-fifth the tax relief for

Americans than the president's plan does.

The Republicans in the Senate - but most importantly, Mr. Snow himself - should not suffer fools gladly. If the Democrats attack the tax-cut plan for being "fiscally irresponsible," Mr. Snow should ask his accusers why they vote to continually pad spending bills with billions of dollars of pork and multibillion-dollar program expansions with more debt spending - as they did last week with a $390 billion appropriations bill. If they attack Mr. Snow's business acumen, he should point out that almost none of these prosecutors have ever run a business themselves, or met a payroll themselves, that wasn't paid for with taxpayer dollars.

With the economy showing further signs of weakness in recent weeks [fourth-quarter 2002 GDP growth is now estimated at an anemic rate of 1 percent], the country desperately needs the president's economic growth and jobs tax cut.

What the president's tax plan needs is dogged, determined, and compelling defenders. This is Mr. Snow's first big test. My bet is that he will pass with fling colors - much to the disappointment of the Daschle-Democrats.

Stephen Moore is president of the Club for Growth.

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The Washington Times

January 10, 2003, Friday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 737 words

HEADLINE: A tax cut with dividends . . . and discord

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:

President Bush has proposed a $630 billion tax cut to help pull the economy out if its two-year, bear market rut. In releasing the plan, Mr. Bush seemed to be announcing to the nation: When it comes to tax cuts to energize the economy, size does matter.

He's right. This bold plan - 5 times larger than the Democratic alternative - is exactly the right fiscal medicine at the right time. Its beneficiaries will be workers, investors, states, and cities - all of which are front-line victims of anemic economic growth rates.

The centerpiece of the president's plan is elimination of the double taxation of dividends. Currently, dividend income is taxed as corporate income to the business, and then as personal income to the individual receiving the dividend. This can result in effective tax rates on dividends as high as 70 percent. These punitive tax rates, in turn, reduce stock values, capital investment, and savings.

John Rutledge, a respected Wall Street economist and a former Reagan administration economist, estimates elimination of the dividend tax could cause stock values to rise by as much as 10 percent, which is good news for the 85 million American shareholders. Gary Robbins, of Fiscal Associates, says a dividend tax cut will increase gross domestic product by at least $5 for every $1 of reduced tax receipts. Even the Democratic critics of the president's plan unwittingly acknowledged the value of this plan by conceding that the plan would stimulate the stock market. What is wrong with a plan that raises the wealth holdings and retirement incomes of American stockholders, who now comprise almost half of all U.S. households?

The other major feature of the Bush tax stimulus plan is to fast forward the tax cuts from the president's 2001 plan. This, too, makes good economic sense.

The phased in tax cuts in the 2001 tax plan were always of questionable economic benefit. Would you go to the store today to buy a product if the store advertised that tomorrow the price will be marked down by another 20 percent? Delayed tax cuts, delay economic activity and often have exactly the opposite impact as hoped. They destimulate the economy.

President Bush would accelerate his earlier tax cut. A majority of House and Senate members voted for the tax cut two years ago. Why not provide the full economic bang of the tax cut now, when the economy most desperately needs a shot of steroids? Cutting the highest income tax rates raises is especially stimulative because roughly 2 out of every 3 Americans paying the highest tax rates are small business owners. They are the wealth and job producers in our economy.

One reason the U.S. economy is ailing is that business investment has fallen dramatically. Simultaneously, the U.S. venture capital industry, which provides the seed corn for new developing 21st-century companies, is almost entirely dormant today. Why the skittishness? Investors don't see the profit opportunities in new ventures. Costs are too high for new businesses thanks to government meddling; payoffs are too meager thanks to excessive taxes on capital investment - i.e. the capital-gains tax and the dividends tax.

The objective of this plan is to replicate the tax cut successes of Presidents Reagan and Kennedy. It was JFK who said, "It is a paradoxical truth that when tax rates are too high the economy will never produce enough jobs or enough revenues to balance the budget." Deficit hawks in both parties will no doubt squeal that this tax plan is unaffordable and will run up the national debt. They are wrong. What Kennedy and Mr. Reagan and now George W. Bush understand clearly is that it is the absence of economic growth that causes runaway budget deficits.

So let the class-warfare Democrats embrace small and impotent policy changes - changes that increasingly sophisticated investor-class voters will immediately identify as fraudulent. The obstructionist Democrats have announced they intend to fight against President Bush's genuine Republican growth package and to wage all-out class-envy warfare. President Bush has 90 million investor-class Americans on his side who realize tax rate cuts mean higher stock values and greater retirement security.

Republicans must not shrink from the battle. Bring on the fight.

Stephen Moore is president of the **Club for Growth** and a senior fellow at the Cato Institute.

LOAD-DATE: January 10, 2003

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The Washington Times

November 5, 2002, Tuesday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 714 words

HEADLINE: Ten key races for conservatives

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
For obvious reasons, most of the hullabaloo over the elections has revolved around the issue of which party will win the Senate and the House on Tuesday, That matters a lot, but some races matter a lot more for conservatives than others. [Does any conservative really care whether Connie Morella, who is trying to get to the left of her Democratic opponent, wins?]

Quality matters too. Republicans might win the Senate, but conservatives could quickly become disenchanted with the way the weak-kneed moderate centrist Republicans govern.

So as an election night primer, I've made a list of the 10 top races for conservatives. These are races involving a clear clash in ideology between the candidates and where public policy directions could be altered depending on who wins.

[1] California Gov. Gray Davis vs. Bill Simon - California is the big enchilada. Mr. Davis has been a catastrophically bad governor for four years.

He has swung a wrecking ball at the economy, dug the state into a monstrous sized budget deficit ditch, and completely mishandled the electricity crisis, by buying up electric power at twice the market rate - a boneheaded move that is costing Californians billions of dollars. Bill Simon, despite a number of dreadful campaign gaffes, would be a free market conservative in the governors office.

What's at stake? If Mr. Davis wins, it confirms that California has been converted hopelessly into a one party state.

[2] Florida Gov. Jeb Bush vs. Bill McBride - Mr. Bush should [must] win. He has been a superb governor.

What's at stake? If Jeb wins, he becomes the front runner for the presidential ticket in 2008.

[3] New Hampshire Senate: John Sununu vs. Jeanne Shaheen. The race is a toss-up.

What's at stake? First, conservatives, need the smart free-marketeer Mr. Sununu in the Senate so he can be groomed to be the next Phil Gramm.

Second, Republicans can't let New Hampshire, the one conservative foothold in the Northeast, go Democratic.

[4] Indiana District 2: Chris Chocola vs. Jill Long Thompson - Pits a classic Reagan Republican vs. a Clinton Democrat.

What is at stake? If Mr. Chocola wins, it drives a stake through the heart of Emily's List and other radical feminist groups that have spent millions on this race.

[5] South Carolina Gov. Mark Sanford vs. Jim Hodges - Mr. Sanford, the challenger and former stellar conservative in the U.S. House against a bumbling incumbent.

What's at stake: Mr. Sanford has a free market reformist agenda [including eliminating the state income tax and school choice] that will make conservatives drool.

[6] South Carolina Senate Lindsey Graham vs. Alex Sanders - this is the Strom Thurmond seat.

What's at stake? Whoever wins will likely hold the seat for 50 years.

[7] Arizona Gov. Matt Salmon vs. Janet Napolitano - Mr. Salmon, another star conservative congressman from the class of '94 against the trial lawyer's best friend.

What's at stake? If Miss Napolitano and her trial-lawyer funders win, they will move this conservative state in a dramatically left-wing direction.

[8] Wisconsin Gov. Scott McCallum vs. Jim Doyle - Democrats favored to win here after Tommy Thompson's four-term stint.

What's at stake? Priority No. 1 for the teachers unions and the Democrats is to defund the historic and fabulously successful school voucher program in Milwaukee.

[9] Pennsylvania District 15: Pat Toomey vs. Ed O'Brien - Mr. Toomey should win again in this brutally tough union district whose biggest town is Allentown.

What's at stake? A Toomey victory proves that pro-free trade, pro-Social Security choice, pro-tax cut Republicans can win in Democratic districts. Voters respect legislators who stick to their guns. And they like tax cuts too. All wobbly Republicans should pay attention.

[10] New Jersey Senate Doug Forrester vs. Frank Lautenberg: The battle for the New Jersey Senate seat leans Democratic. Mr. Forrester is no great shakes for conservatives.

What's at stake? The principle that cheaters never prosper.

So there you have my top 10 list. Did I leave any high-priority races off the list? E-mail me at smoore@clubforgrowth.org.

Stephen Moore is president of the **Club for Growth.**

LOAD-DATE: November 6, 2002

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The Washington Times

August 30, 2002, Friday, Final Edition

SECTION: COMMENTARY; Pg. A21

LENGTH: 1013 words

HEADLINE: Surer way to sustain the planet

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Whenever delegates from countries around the world get together it is almost always bad news for freedom and capitalism. The U.N. Earth Summit on "sustainable development" being held in South Africa has been no exception.

So far the conference has been an all-too- predictable bashing of rich nations for holding back the poor nations. The rich nations [read the United States] are asked to do more to alleviate AIDS, more to reduce global poverty, more to protect the Earth's natural resources, more to feed the hungry, and more to stop mythical global warming. All that was left off the list was cleaning all the world's dirty laundry.

Once again we hear the moronic refrain from self-righteous and yet repressive leaders of poor nations that the U.S. with 5 percent of the world's population uses 25 percent of the world's resources. [No mention that the U.S. also produces more than 25 percent of the world's output - of AIDS drugs, food, vaccines, infant formula, humanitarian aid, and the list could go on to the bottom of the page.]

There is, overall, a false message of doom and decline in the Earth Summit, as if the Earth's eco-system is on the verge of collapse and that human beings are worse off now than in the past. It isn't true. Sure in some of the heartbreaking repressed nations of Africa things are getting worse. But in the rest of the world things are almost universally getting much better - in terms of health, in terms of material progress, and in terms of a cleaner environment.

Here are some of the most encouraging trends you will not hear about among the elitist government officials gathered in South Africa this week:

* Life expectancy: In the rich countries life expectancy - the broadest measure of health and a safe environment - has increased by 30 years over the past century. Even in poor countries life expectancy has risen at an astonishing pace. The average resident of a poor nation can expect to live nearly twice as long as his or her 19th-century counterpart. Most of humanity enjoys better health and longevity than the richest people in the richest countries did just 100 years ago.

* Health: Parents should reflect long and hard on one statistic whenever they think life isn't treating them well these days: the death rate of children under 14 has fallen by about 95 percent since 1900. The child death rates in just the past 20 years have incredibly been halved in India, Egypt, Indonesia, Brazil, Mexico, Chile, South Korea, Israel and scores of other nations. Almost all the major killer diseases prior to 1900 - tuberculosis, typhoid, smallpox, whooping cough, polio, malaria - to name a few, have been nearly eradicated, thanks to progress in medical know-how almost all of which originated in the evil capitalist nation called the United States.

* Nutrition and diets have been improving the world over. Gale Johnson, the agriculture expert at the University of Chicago, has discovered that fewer people worldwide died from famine in the 20 century than in the 19th century - not just as a percentage of the population, but in absolute numbers. That is a spectacular achievement in our ability to feed the planet, given that the world population is some 4 times higher today than 100 years ago.

* Education: The world's inhabitants are better educated, not worse, than in prior periods. Illiteracy has fallen by more than two-thirds in the U.S. and even by a greater percentage in many poor nations.

* Environment: Economic development is the best way to clean the environment. Poverty is the biggest impediment to clean air and water.

Consider the U.S.: Smog levels have declined by about 40 percent, and carbon monoxide is down nearly one-third since the 1960s even though there are nearly twice as many cars. Some of the most impressive advances in cleaning the air have been recorded in the dirtiest cities, including Los Angeles, Pittsburgh and Chicago. Airborne lead is down more than 90 percent from 40 years ago. Contaminated drinking water killed hundreds of thousands of Americans annually 100 years ago, versus very few deaths today.

c Natural Resources: By any measure, natural resources have become more available rather than more scarce. Consider copper, which is representative of all the metals. The cost of a ton is only about a tenth of what it was 200 years ago. There is evidence that oil - the most worrisome of resources because it is mostly burned up and therefore cannot be recycled - has actually been getting cheaper to produce.

What has been the driving force behind this miraculous progress. Three words: free market capitalism. If only the intellectual elite and the power-holders around the world in South Africa this week would go home and deregulate their economies, cut tax rates, expand democracy, and cut government rules and bureaucracies, we could blaze a path to alleviating world poverty in a generation or two. If only markets, not governments, controlled the price and usage of natural resources, we would see a further abundance of food, minerals and energy - enough for the entire world to share in the bounty.

The U.N. Earth Summit is based on a cancerous and discredited creed of limits to growth. It is insane to hope that people who believe in limits to growth will create the conditions that nurture growth. Even the term "sustainable development" is offensive and suggests that economic development and improving the environment are somehow incompatible - which is precisely the opposite of the historical record.

Where there is economic development and capitalism, there is clean air and clean water and well-educated citizens and abundant resources and low disease rates. Where there is no capitalism, there is an abundance of these maladies.

It really is all that simple.

The only real limits to growth are created by wrongheaded conferences populated by selfish and unthinking do-gooders.

Freedom will save the planet - if only governments will allow it.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: August 30, 2002

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The Washington Times

July 22, 2002, Monday, Final Edition

SECTION: COMMENTARY; Pg. A16

LENGTH: 692 words

HEADLINE: Twisting a rail for fast track on trade

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
Over the years, it would be hard to find a more stalwart free marketer in the Senate than Larry Craig, Idaho Republican. He has one of the highest National Taxpayers Union records in fighting against big government.

He has lead the charge on supply-side tax cutting. I have worked with him and his staff on the capital gains tax reduction that is so critical to getting the financial markets out of their 24-month slide.

So why in the world has Mr. Craig teamed up with ultra-liberal Democrat Mark Dayton of Minnesota to sponsor a poison-pill amendment to President Bushs free-trade bill? This amendment, as the Wall Street Journal recently noted, strikes at the very heart of fast-track trade negotiations. Under the Trade Promotion Authority bill, the president negotiates a trade agreement, and Congress agrees to vote up or down on the accord without amending it. Without this assurance, foreign leaders are unlikely to bargain trade agreements that could be eviscerated later by the protectionist twinges that always are present among the parochial interests on Capitol Hill.

The Dayton-Craig amendment would allow Congress to reject any provision of a trade bill that weakens so-called anti-dumping laws. Now this is a really lousy amendment on so many grounds, one hardly knows where to start attacking. It clearly violates the fast-track no-amendment policy. Once, one amendment to a trade treaty is allowed, the dam is broken. So Mr. Craigs rider would destroy the whole free-trade process that is rolling along here.

Unfortunately, Mr. Craigs amendment plays to the ingrained protectionist reservations about trade agreements among congressional members. With the strong support of the labor unions and the fair trade lobby, it actually passed in the Senate. The anti-free-trade and free-markets publication the American Prospect wrote approvingly of Mr. Craigs creation: This is exactly the kind of mischief the Senate always keeps out of trade agreements, because it gums up the works in trade accords.

President Bush has said that he will veto the trade bill if the Dayton-Craig amendment isnt extracted. Good call, Mr. President.

This amendment is also bone-headed policy. There is no worse feature to our trade laws than anti-dumping penalties. Dumping laws forbid foreign companies from selling products here in the U.S. for below production costs. Why in the world should that be illegal?

If a Panamanian fruit-and-vegetable company is dumb enough to sell us bananas at a loss, or if the Koreans want to sell us steel for below cost, why would we outlaw the importation of these products. What if the foreign companies wanted to give us the bananas or the steel to us for free as a gift? Would we object to that as against our national interest?

Moreover, best-selling author Jim Bovard has shown over and over again that when nations dump products in the United States, the biggest winners are the American consumers who get low cost goods and services. He has also shown that any time an American company that is reporting losses in a given year - as most did last year - exports products abroad, those companies are technically guilty of illegal dumping. After all, since they lost money, they by definition were selling goods below cost.

Anti-dumping laws reflect an exports good, imports bad view of trade that is economically misguided and anti-consumer. The lower the price of imports, the higher Americans real incomes rise, because we can all buy more products for the money we make in an hours worth of work. This is precisely why a strong dollar is good for the United States. It makes us richer relative to workers in other nations. I call this Kudlows law.

So shame on Larry Craig, and I say this with great reluctance because he is a personal friend. But if he wants to be a friend of the American worker and our high-tech, high-wage, free-trade-driven economy, he will repudiate his destructive amendment.

To paraphrase Woody Allen: Mr. Craig, you never want to be part of a club that would have Mark Dayton as a member.

Stephen Moore is president of the **Club for Growth**.

LOAD-DATE: July 22, 2002

The Washington Times

March 27, 2002, Wednesday, Final Edition

SECTION: COMMENTARY; Pg. A14

LENGTH: 881 words

HEADLINE: Campaign flim-flam disguised as reform

BYLINE: By Stephen Moore, SPECIAL TO THE WASHINGTON TIMES

BODY:
The campaign finance reform bill that will reach President Bush's desk as early as this week is the most fraudulent legislation in Washington since Hillary Clinton promised she would give Americans heath insurance coverage they could never lose.

John McCain's creation is not about cleaning up elections or fighting political corruption. It is not about weeding big money special-interest influences out of politics. It is not about reducing the impact of Fortune 500 firms like Enron who use campaign contributions to buy corporate welfare favors from Congress.

This legislation is first and foremost a jobs protection bill. The jobs it will protect are those of the incumbent members of Congress. If there were even a thimble-full of genuine integrity on Capitol Hill, members of Congress would recuse themselves from this vote since they have the most to gain from it.

How so? The most insidious feature of this bill would prohibit issue-based organizations from running TV or radio advertisements that criticize or praise a candidate in the 60 before an election. This means, for example, that the National Rifle Association could not run an ad proclaiming: "Congressman John Smithereen is a buffoon because he voted four times for gun control legislation." Handgun Control Inc. could not, likewise, attack a congressman for his pro-gun votes.

What is more fundamental to the constitutional right of free speech than the right to freely criticize the policies of our own government, and by implication the politicians who enacted the laws we find offensive or wrongheaded?

Imagine this bill had existed during Colonial days. Patrick Henry would announce that King George was a big oaf for taxing the Colonies to great excess, and out would come the lawyers and the magistrates to muzzle Henry, on grounds that his critique had come within 60 days of an election.

Political scientists have calculated that incumbents start off every campaign with roughly a $500,000 advantage due to high name recognition and the assorted privileges and perks (such as free mailings) of holding office. Just about the only way to beat a sitting congressman or senator is to educate voters about what they stand for with rapid-fire shots at the incumbent's voting record and behavior in Washington. And this must be done not months, but days before the elections - when normal Americans who don't live and breathe politics start paying some modicum of attention.

Sen. McCain, Arizona Republican, wishes to stifle competition against incumbents. For example, on nearly a half-dozen occasions, Mr. McCain has cited the **Club for Growth** (which I run) as a case study in the need for his campaign finance bill. On CNN recently, Wolf Blitzer asked Mr. McCain why he supports a 60-day advertising ban. "It's because of outfits like this so-called **Club for Growth**," he replied. "They came into Arizona last year and ran hundreds of thousands of dollars of negative attack ads. No one knew who they were. No one knew who their funders were."

What has Mr. McCain and his allies nervous is that issue groups like ours actually fund insurgent campaigns against incumbents in both parties.

If the McCain bill is enacted into law, the chances of ousting an incompetent incumbent will be drastically reduced. How can voters be expected to ever "vote the bums out," if they don't know the facts about how their bum voted?

Mr. McCain's campaign bill would lead to less competitive, not more competitive, elections. A recent study of the myriad of campaign laws at the state level by the Jerome Levy Institute discovered that limitations on campaign spending and advertising, lead to higher election rates for incumbents.

Is that what voters really want? Under the current laws, incumbents are virtually unbeatable unless they have committed a sex offense with a minor or they've been convicted of some other felony. The average incumbency re-election rate is between 96 percent and 98 percent. It's easier to get somebody out of prison than Congress. The system is becoming as farcical as the elections in China during Chairman Mao Tse-tung's reign. You get to vote for whomever you wish so long as it is the one and only person who appears on the ballot.

What we need to invigorate our election process, increase voter participation, and elect a more diverse and higher-quality Congress is establish real competition through term limits. That would force turnover, and create far more competitive elections. It would reduce corruption, because special interests wouldn't pour millions of dollars into campaigns if the winner were only going to be in power for six to eight years. Needless to say, there are no term limits in this McCain bill-despite the fact that roughly 2 out of 3 Americans support them.

Perhaps what is most grating of all is the cowardice among our elected officials when they vote for a bill that they know in their minds and hearts tramples the Bill of Rights. Many congressional members have even acknowledged publicly their suspicion that the McCain bill is unconstitutional.

Yet they still voted for it.

And these are the kinds of people we want to make it harder to de-elect?

Stephen Moore is president of the Club for Growth.

LOAD-DATE: May 13, 2002

The Washington Times

No way to run a railroad

February 11, 2002
Section: COMMENTARY

Page: A17

Stephen Moore

It's official: Amtrak, the monopoly provider of the nation's intercity rail passenger service, is rolling straight toward a financial train wreck. The Amtrak Reform Council announced this week that unless major management changes are adopted and unless private sector options are implemented, the train service will have to cease operations within the next year or two.

Amtrak's own management team acknowledges that without more congressional handouts, train service will have to be discontinued for the long-distance routes.

John Norquist, the Democratic mayor of Milwaukee and a commission member says Amtrak has been lying about its financial situation for years. Meanwhile, another commission member, Wendell Cox, a transportation consultant urges the privatization option. "Only the private option can prevent billions of dollars of future losses," Mr. Cox writes.

He is right. This is at least the sixth time in the last 25 years that the railroad has run critically short of funds. Under one plan in the Senate, Amtrak would receive some $50 billion in loans and grants over the next decade to head off insolvency. When does this madness end?

Five years ago the Republicans in Congress commanded Amtrak management to wean itself off federal operating subsidies once and for all.

The congressional plan required Amtrak to reach financial self-sufficiency by 2002. Amtrak is in worse financial shape today than it was when the new legislative plan was enacted back in 1997. Amtrak makes Enron seem like a well-run firm by comparison.

Amtrak was formed in 1970 when the Nixon administration agreed to federalize passenger trains in the wake of the Penn Central ("PC") bankruptcy. The subsidies were to be temporary. But nothing in Washington is ever temporary (except for tax cuts). So some $50 billion (in today's dollars) has been burned by Amtrak locomotives already and the subsidies are getting fatter every year.

It cost taxpayers nearly $100 for every Amtrak rider. On some routes the subsidies can reach $300 a passenger. It would be cheaper for taxpayers to get these folks round-trip tickets on Southwest Airlines.

Amtrak has invested billions of dollars in high-speed rail along the Northeast corridor. That has been a colossal waste of money. The high-speed trains are only running at about 50 percent capacity. Some of these "super expresses" have carried as few as 40 passengers - one busload - in a 304-seat, 12,000-horsepower train with a crew of eight.

Despite all the money losses and broken promises of "financial solvency right around the corner," Congress is likely to ignore the Council's recommendations and instead approve a "more of the same" option for Amtrak. Amtrak's management will interpret this cop-out as a sign that Congress was never really serious about requiring the railroad to shed hopelessly unprofitable routes, to find ways to replace tax subsidies with ticket revenues, to tighten its belt for cost-cutting purposes, and to slash layers upon layers of redundant managerial positions.

Only private ownership will force these cost-cutting reforms.

Congress must understand that it is precisely the existing federal monopoly management structure of Amtrak that is ruining rail passenger service in America.

There is no law of economics that says Amtrak has to lose money. It has been Amtrak's ready access to tax dollars that has impeded financial progress and service improvements.

Privatization would not mean the end of rail passenger service. Under one viable plan, proposed by the United Rail Passenger Association, the government would retain control of ownership and maintenance of the tracks and the rest of the physical infrastructure, just as the government builds and repairs the roads. But operational costs would be covered by private for-profit railroad entities.

Congress should immediately lift the monopoly protection of Amtrak, which prohibits private operators from running rail service on government tracks. Amtrak says it needs this blanket of legal protection to keep out competitors who might "skim the cream" and take away passengers on the most profitable routes. Since none of its routes make money, Amtrak has no cream to skim. Private operators could demonstrate that rail passenger service, if operated efficiently, can indeed make money.

Amtrak is a $50 billion lesson in economics learned the hard way - and at the taxpayers' expense. Monopolies provide lousy service, with few consumer choices, and ever-rising costs. The new Amtrak report confirms this and warns Congress not to throw another $50 billion away. Only the privatization option can save the railroads.

Stephen Moore is president of the Club for Growth.

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The Washington Times

Who lost the big economic dividend?

January 27, 2002
Section: B

COMMENTARY
Edition: 2
Page: B1
Stephen Moore
Illustration: Chart (color), BUDGET SURPLUS

In recent weeks, both Senate Majority Leader Tom Daschle and his sidekick, Sen. Edward M. Kennedy, Massachusetts Democrat, have thrashed the Bush White House for squandering the budget surpluses of the Clinton era. To preserve the surplus, they want to shelve the future tax cuts, including the elimination of the death tax, in the Bush tax plan.

All of these recriminations about the return of federal deficit spending would be encouraging except that it lacks even a seed of sincerity. Indeed, both Mr. Daschle and Mr. Kennedy have requested $50 billion in additional spending this year. And that comes on top of the 11 percent increase in spending Congress already approved this year.

One year ago, the Congressional Budget Office predicted that the budget surplus for 2002 would be $331 billion. Now, Congress is forecasting a $21 billion deficit for the year. That's a lot of fiscal slippage in just one year. What in the world happened? Who lost the surplus? Mr. Daschle and Mr. Kennedy both contend that the major factor behind the evaporating surplus is President Bush's tax cut. They are wrong.

Four factors caused the surplus shrinkage (see the accompanying chart). Only one of those factors was the tax cut. But it accounts for less than $40 billion in tax relief this year, out of $2 trillion in tax revenues the government will extract from workers and businesses. That's a 2 cent tax cut out of every dollar paid. This crumb of a tax cut is what the Democrats are all hot and bothered about.

The recession accounts for about two-thirds of the surplus disappearance. For 2001, revenues dropped 1 percent, and they won't rise much above 3 to 4 percent this year. That compares with the 8 to 10 percent growth in revenues during the prosperous late 1990s. We've lost about $160 billion in expected revenues for 2002, because 1.5 million fewer people are working and because fewer businesses are making profits for Uncle Sam to tax.

A government spending spree is the most controllable factor behind the deterioration of the budget outlook and accounts for 19 percent of the lost surplus. Congress is spending money at a faster pace than at any time since the 1970s. A lot of that spending blitz has been a result of the big surpluses.

Appropriators interpreted all that money lying around in the Treasury as an invitation to spend.

What is clear is that Mr. Daschle and Mr. Kennedy are wrong when they say the primary blame for the fiscal deterioration is the Bush tax cut. By far the biggest factors have been the recession and increased federal spending. In fact, if this year Congress would just hold spending to the level of inflation, there would be at least a $50 billion surplus.

It turns out that about half of the increased spending (over the 4 percent Congress had originally predicted) was a result of the military and home security expenditures required to fight the war on terrorism - but only half. As the Congressional Quarterly recently noted: "Although the need to respond to the September 11 terrorist attacks accounted for much of the increased spending, Congress was poised for a big spending boost even before then."

There is reason to worry that the recent fiscal deterioration on the outlay side of the federal ledger may be the start of a longer term trend of pro-spending policies in Washington. Since 1995, when Republicans first took control of the House and Senate, spending discipline has eroded with every passing year. One indication of this erosion of fiscal restraint is that when Republicans first took Congress in 1995 there were some 500 members of the House and Senate who wanted to cut spending more than they wanted to increase it, according to the National Taxpayers Union calculations. But in 2000, there were exactly two advocates of smaller government. The other 533 House and Senate members wanted bigger government. Only Ron Paul, Texas Republican, and Jim Sensenbrenner, Wisconsin Republican, voted for less overall spending.

Jeff Flake, a freshman Republican from Arizona, recently complained to me that every vote he has taken in Congress has been for more government programs and more spending. "I'm still waiting," he says, "for a vote to cut the budget."

He may have to wait for a long while.

In his State of the Union address, Mr. Bush must call for a comprehensive reform of the federal budget process to put reasonable caps on government spending - as most states do. Surpluses need to be immediately and automatically returned to taxpayers, before these dollars can be ingested by the appropriators. The president needs a line-item veto.

Most importantly of all, he needs to tell the American people the truth about who lost the budget surplus. Deficits are back, not because of the tax cutters, but because of the big spenders in Congress - the same crowd whose profligacy created the enormous deficits of the 1970s, '80s and '90s. The Daschles and Kennedys of the world need to be hog tied before a new spending spree creates another trillion of debt for our children to pay off.

Stephen Moore is a senior fellow at the Cato Institute.

The Washington Times

December 17, 2001, Monday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A19

LENGTH: 1032 words

HEADLINE: Food fight on Capitol Hill

BYLINE: Stephen Moore

BODY:
Every five years Congress takes on the role of Santa Claus for America's agribusinesses when it enacts a new farm bill. Thanks to years of congressional generosity, the U.S. farm sector is arguably today the most welfare-dependent industry in America.

Even though farmers have higher average incomes than do nonfarm taxpaying households, since 1980 American farmers have received more than $200 billion in direct taxpayer assistance. That's enough money to buy every acre of farmland in America west of the Mississippi River.

This week the U.S. Senate will vote on a farm bill that would make the honey pot a whole lot sweeter. It would return rural America back to the Soviet-model command-and-control agriculture policy of yesteryear by establishing a vast network of government established price supports for crops. Its $170 billion, 10-year price tag would make this far and away the most expensive farm bill ever. The subsidies average out to roughly $200,000 of welfare payments for every recipient. And this doesn't even include the billions of dollars in emergency taxpayer aid farmers receive nearly every late summer and fall to compensate them for every natural and manmade disaster one can conceive of: floods, droughts, tornadoes, hail, the Asian market meltdown, the strong dollar, European trade restrictions, and so on.

This year the farm lobby is even wrapping its funding request around the flag by suggesting that more generous price supports will help in the war against terrorism.

The 2001 farm bill would re-install the entire infrastructure of a failed price support system that dates back to Franklin D. Roosevelt and the New Deal era.

Sen. Richard Lugar, Indiana Republican, one of the few outspoken critics of the bill, correctly notes that the bill "ignores decades of experience that grain price supports only encourage the overproduction of crops and guarantees soaring taxpayer bail-outs."

It was just five years ago that Republicans in Congress enacted the historic 1996 Freedom to Farm Act, which was intended to phase out crop and dairy subsidies over five to seven years. By now farmers were expected to be weaned off agriculture subsidies altogether and the U.S. Agriculture Department was supposed to be boarding up suddenly obsolete offices.

Things haven't turned out quite as hoped. Federal farm payments haven't fallen every year as scheduled. Instead, they've increased from a low $7.3 billion in 1996 to $22.9 billion last year.

The paradox of modern agriculture is that the more productive U.S. farmers become - and they are by far the most efficient in the world - the more attached they become to the federal umbilical cord.

In the early 1990s, only about 18 cents of every dollar farmers earned came from government payments.

Over the past three years, 1998-2000, agriculture price supports accounted for 35 cents of every dollar of farm income. Freedom to Farm has become freedom to farm taxpayers.

Farm state legislators on Capitol Hill recite the myth that without federal assistance, tens of thousands of sturdy and reliable family farms would forever disappear from the rural landscape. In fact, the return to a price-control framework - where farmers are guaranteed a minimum price for their crops - would disproportionately benefit the largest and most profitable farms. This only accelerates farm consolidation and hastens the demise and sell-off of small and medium-sized family farmers.

According to Agriculture Department data, about 80 percent of farm payments went to farmers with gross sales of $250,000 or more. Meanwhile, genuinely struggling marginal farms with incomes of less than $10,000 receive about 1 percent of the federal payments.

The myth that American farmers can't survive under a free market system is contradicted by the fact that of the 300 or so food commodities grown in the U.S. most do not receive subsidies. Almost all the federal payments go the producers of just a handful of staple crops: corn, wheat, soybeans, rice, and cotton. Dairy, peanut, and sugar producers are also well-endowed with federal dollars.

This bill would alas, cast the "farm safety net" even wider than ever: to include Florida citrus and lime growers, Vermont sheep herders, Connecticut oystermen, Midwestern popcorn producers, Idaho potato farmers, California asparagus, avocado, onion, cranberry and wine producers. This year there's even talk of including emergency aid to Virginia horse breeders.

All that is standing in the way of this return to farm bill socialism is Mr. Lugar. His more market-based alternative would eliminate price supports, acreage set-asides and the dairy, peanut and sugar subsidies. Instead, Mr. Lugar would create a system of federal matching funds to farmers with the money going into IRA-type accounts.

The money in these accounts could be used to purchase crop insurance and could be drawn down during bad crop years. This system would protect farmers from wild gyrations in their sales, by guaranteeing them 80 percent of their average income in any year. The Lugar approach would tug the farm system back in the direction of the free market system and would do so at a 10-year cost of $25 billion less than the House bill. No individual farmer would be eligible for more than $30,000 in aid in any given year.

The downside of the bill is that it would make almost all farmers eligible for federal help, and that could create brand new constituencies for these programs.

The optimal farm policy now for American farmers would be for the U.S. to terminate its production subsidies and call for Europe and Asia to do the same. In this time of global economic crisis, the U.S. should pitch a global free trade policy in agriculture as the most humanitarian way to provide cheap and abundant food to every corner of the globe. But we can't in good conscience call for a global system of free market agriculture if we don't practice what we preach here at home.

The best way to help farmers, taxpayers and consumers is to kill the House bill and start over.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Chart, FARMIMG TAXPAYERS, By The Washington Times

LOAD-DATE: December 17, 2001

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The Washington Times

December 12, 2001, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A19

LENGTH: 1020 words

HEADLINE: Freeing the digital economy

BYLINE: Stephen Moore

BODY:
With the unemployment rate now at its highest level since the mid-1990s and Congress seemingly handcuffed in its attempt to pass a fiscal stimulus package, perhaps it's time for members of both parties to look for new ways that Uncle Sam can help hot wire the economy for faster growth.

The vote in the House last week to expand the president's authority to negotiate trade agreements that tear down protectionist trade barriers was one such useful prosperity enhancing policy.

Another critical issue for expanding growth is expected to be voted on in Congress later this week. I am referring to the Tauzin-Dingell telecommunications bill. You've been living in a cave for the past 18 months if you haven't heard or seen the millions of dollars in annoying radio and TV ads that AT&T has spent to defeat the passage of Tauzin-Dingell or the millions that the Baby Bells have spent urging its approval. And if you're like about 98 percent of other Americans, you probably have no idea what all the hullabaloo is about. Even most members of Congress have no idea how large the stakes are in this frazzled debate.

If approved, Tauzin-Dingell has the potential over the next decade to bring high-speed broadband service to nearly every home and business in America. Broadband service is the lightning-quick Internet network technology that is the key to pushing the digital economy to new levels of growth and productivity. It is a tcchnology that will convert every personal computer in America into a 21st century multidimensional communications machine. It will do for telecommunications what your cable box and satellite technologies have done for your television.

Economist Robert Crandall of the Brookings Institution estimates that a speedy rollout of broadband could generate $500 billion per year in economic benefits. That prediction is backed up by history. Past efforts at deregulation - from airlines and trucking to cable and wireless telephone service to financial services - have generated huge gains in economic growth, innovation and greater choices for consumers. Even if Mr. Crandall is off by a factor of tenfold, the gains to the American economy of enacting a deregulation bill like Tauzin-Dingell here are breathtaking.

So what in the world is taking so long? Today only about 1 in 12 homes are wired for broadband access. Worse yet, only about 6 percent of small and medium-sized businesses have access today. This means about 94 percent of the mom-and-pop operations are still on the wrong side of the digital divide.

What we have here is a classic confrontation between a barnacle-encrusted regulatory regime (and its industry beneficiaries, in this case AT&T) clinging to a set of antiquated rules that are slamming the brakes on the adoption of a new-age pro-consumer technology. The last time this happened was with cellular telephones. For years and years the FCC almost single-handedly kept cellular telephones out of the hands of middle-income Americans. Experts now believe that if it had not been for a set of absurd FCC rules, cellular telephones would have gained widespread use nearly a decade earlier than they did. Those delays may have cost the nation tens of billions of dollars in lost convenience, output, and competitiveness.

A nearly identical mistake is now being made in broadband service. A regulatory regime, which grew out of the 1996 Telecommunications Act, was fine for opening up the static old local telephone system to competition.

But they were never meant to apply to new technologies such as broadband.

"Whatever the benefits this act may have had in other areas," says Intel chairman Andy Grove, "it did not really contemplate broadband deployment."

One of the hallmarks of our new age economy is how rapidly new inventions are disbursed to tens of millions of homes and businesses. As the table shows, in less than a decade and a half, inventions like cable TV, microwave ovens, VCRs, cell phones, CD players, personal computers, the internet were affordable and accessible to more than half the population. The same will soon be true of DVD players, flat panel TVs, and palm pilots. But evidently, this virtuous dispersion path it will not be true of broadband access, which has already been in use for nearly a decade and is arguably the most valuable of all new consumer and business technologies.

Completing the broadband buildout and expanding high-speed Internet access will require money - and lots of it. By some estimates, private companies will have to invest more than $200 billion to finish the job. But our current regulatory structure, according to technology expert George Gilder, "privatizes the risk and socializes the benefit." Under current law, telecom companies would be required to invest billions of their own money on the infrastructure but then subject themselves to government-set rates to competitors that don't put a penny at risk.

It is no wonder that investment in telecommunications is in a drought condition today. A few years ago investors bet the farm on the reasonable assumption that telecom was the next great profit and growth centers of the information age U.S. economy. Now it is one of the fastest money-losing industries. There are many contributing causes to the shrinking market, but the adverse regulatory structure is at or near the top of the list.

Congress has talked a lot since September 11 about lifting the burden of taxes that restrain growth and capital investment - as well it should. But history teaches us that senseless regulation is nothing more than a hidden and expensive tax on American consumers. It now has the opportunity to liberate the economy from the regulatory barriers to broadband investment. And it can do so at precisely the time when it is to America's unquestionable competitive advantage to surge into the global lead in this industry.

Tauzin-Dingell, though far from perfect, has the potential to be a stimulus bill that truly stimulates growth and technological progress.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Chart, DEPLOYING TECHNOLOGY, By The Washington Times

LOAD-DATE: December 12, 2001

The Washington Times

November 16, 2001, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A21

LENGTH: 1037 words

HEADLINE: Bush-Daschle stimulus shortfall

BYLINE: Stephen Moore

BODY:

All the political signals indicate that the White House and Congress are on a collision course that will produce a "bipartisan Bush-Daschle" economic stimulus plan.

This is likely to be a plan that doesn't do much good for the economy at a time when the economic indicators are mixed at best and that the economy could use a tax cut lift. That tax cut should be about twice as large as what even the Republicans are seeking.

The recent encouraging news on retail sales and the recent improvement in the stock market can't hide some of the more depressing signs of economic weakness. First, more than 2 million jobs have been lost since the start of the year. And second, thanks to deflationary monetary policy and tax drag, the U.S. has lost $300 billion in output this year.

Even the recent rise in the Dow-Jones has only recaptured a tiny portion of the losses absorbed over the past 20 months. The destruction of asset values is roughly $5 trillion, or almost $100,000 in lost wealth on average for every investor class household in America.

Investment is almost at a standstill. The venture capital industry has fallen by 70 percent this year; the IPO (initial public offering) market is dormant; business capital investment is at its lowest since the last recession. The source of the U.S. downturn is investment, not consumption.

All this is to say that the need for a significant tax cut rescue plan has taken on added importance over recent weeks. The White House is hoping and praying that the 10 Federal Reserve Board interest rate cuts and the modest Bush tax cut enacted earlier this year will revive growth. The administration may be right. But it is sensible to dramatically raise the odds of a full-force recovery in 2002 with a big and bold supply side tax cut package now.

Here are the steps that are needed to make that happen:

(1) Ditch the Bush-Daschle compromise route: it's an economic dead end.

Any bipartisan stimulus bill that meets with the approval of Tom Daschle and Richard Gephardt will not provide much, if any, benefit to the ailing economy.

The Democrat's version of a recovery plan could hardly do more damage to the U.S. economy if it were designed by Osama bin Laden himself. The Democratic plan would devote almost 3 of every 4 new dollars in stimulus to additional government social and infrastructure spending. And it would fund the new spending by raising the top income tax rate in the future.

A real growth-enhancing stimulus plan will never gain the approval of left-wing Democrats like Mr. Daschle and Mr. Gephardt. So don't go there.

(2) Think big: double the stimulus price tag to jump start growth. The current plan is for a stimulus plan of $75 billion to $100 billion, Given the size of the crisis we face at home and abroad, this is puny - less than 1 percent of gross domestic product.

Even accounting for the tax cut already enacted, the tax cuts would amount to less than 2 percent of GDP. The Reagan tax cuts, which ended the mini-depression of 1978-82, were 4 percent to 5 percent of GDP. This is the magnitude of tax cuts Republicans in Congress should now be considering.

(3) A capital gains tax cut is a necessity and it's virtually free. A prospective capital gains cut from 20 percent to 10 percent would raise asset values (thus helping the stock market), stimulate investment, and help 75 million investor class Americans.

Best of all: The cost of this tax cut would be close to zero. In 1997 the rate reduction from 28 to 20 percent led to a 70 percent increase in capital gains tax receipts (from $62 billion to $109 billion) and the largest explosion in venture capital funding (from 1997-2000) in American history. A forward-looking capital gains tax cut (applying only to gains after September 11, 2001) would lose at most $25 billion. The economy gets $10 of growth for every $1 revenue cost. This is the very definition of a stimulus. The price tag is less than the ill-designed corporate tax rebate in the House bill.

(4) Government spending won't generate economic growth or jobs: Just ask Japan. Among all industrialized nations, Japan has by far the largest increase in public sector spending over the past decade. The entire island has been cemented over with public works projects. Japan is now building bridges and tunnels as it begins to pave over the ocean with concrete. The demand-side formula has only deepened the depression. The Nikeii index, which stood at near 40,000 in 1990 is now, 11 years later, below 15,000.

Japan now has its highest unemployment since World War II. This is hardly an economic recovery model for the U.S. to emulate. Don't go there, either.

(5) Temporary tax cuts are nearly worthless. Temporary tax cuts shift the timing of economic activity, but not the overall level of economic activity. Some 70 percent of the House tax bill expires after 2002 and 90 percent expires after 2003. This will surely accelerate economic activity now (taxes impact behavior, after all), but will depress economic activity the moment the stimulus wears off. Temporary business investment tax breaks, temporary sales tax holidays, and temporary tax rate cuts could unwittingly prolong the recession, rather than end it. If the tax cut is worth doing, it is worth doing permanently.

Now is not the time for pinching pennies. A tax cut of $200 billion to $300 billion a year is affordable and necessary to get America back to work. The two top priorities for Congress should be to accelerate the top income tax rates in the Bush plan and to cut the capital gains tax in half.

Without a Republican victory on at least one of these two priorities, the stimulus bill will have almost no noticeable effect on growth. A stimulus bill that mostly expands government spending will actually depress the economy and is worse than no stimulus plan at all. Democrats, who are looking to take back Congress in 2002 may be content to settle for that outcome. Republicans have everything to lose - including their jobs - if they settle on a stimulus bill that won't stimulate.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Cartoon, UNEMPLOYMENT LINE, By Ramirez/The Los Angeles Times (Copley News Service, '01)

LOAD-DATE: November 16, 2001

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The Washington Times

November 09, 2001, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A18

LENGTH: 1071 words

HEADLINE: Dancing to a new fiscal fandango

BYLINE: Stephen Moore / Jeff Bell

BODY:
Democratic victories in the New Jersey and Virginia gubernatorial elections on Tuesday are, predictably, being characterized as proof that the era of big government is back Political pundits are also suggesting that the tax-cutting message of the GOP, which was paydirt for Republicans in the 1990s, is no longer appealing to the median 21st century voter. Only people who paid zero attention to what was said in these two races could make that claim.

Surely the defeats of Bret Schundler in New Jersey and Mark Earley of Virginia are blows to conservatives. Both ran as strong anti-tax candidates.

Both attacked the victorious Democrats (Mark Warner in Virginia and Jim McGreevey in New Jersey) for their secret plans to raise taxes. And both lost. But not because New Jersey and Virginia voters opted for a return to Democratic tax and spend policies.

Just the opposite. One of the most remarkable features of these two races was that Mr. Warner and Mr. McGreevey both veered as far to the right on fiscal issues as Democrats are permitted to without entirely alienating the left-wing base of their party. They ran successful campaigns as Bill Clinton new Democrat fiscal conservatives eschewing the era of big government. They both pledged in their debates that they would not raise taxes to balance the state budget.

In fact, as any Northern Virginian knows full well, Mr. Warner spent millions of dollars on omnipresent TV ads to tell voters exactly that. Mr. Warner described himself as a pro-George W. Bush "fiscal conservative" and touted his "plan for action," indicating how budget deficits could be avoided without raising taxes. He pledged allegiance to the car tax elimination, which had been a polar star for Republican Jim Gilmore back in 1997. Mr. Warner sounded, in short, like a 1990s tax-aphobic Republican.

Mr. McGreevey's 11th-hour conversion to the no new taxes camp was even more dramatic. At the start of the campaign, Mr. McGreevey refused to pledge not to raise taxes, trotting out the traditional Democratic mantra that such a promise would be fiscally irresponsible. But as Mr. Schundler showed signs of resurrecting his dormant campaign and gaining ground on Mr. McGreevey, the Democrat's message became intensely anti-tax.

In the last debate, Mr. McGreevey was again asked if he would raise taxes. Point blank, he responded that there was no need to raise taxes and that through streamlining government and agency consolidation, expenditure cutbacks could keep the budget out of red ink. Mr. McGreevey even criticized the New Jersey Republicans (with much accuracy) for fiscal mismanagement and overspending and excessive reliance on debt during the Christie Whitman years.

At the Cato Institute, one of us (Stephen Moore) had been attacking Mrs. Whitman and the New Jersey legislature for exactly this fiscal profligacy.

What was most excruciating for New Jersey liberals was when Mr. McGreevey was asked about his vote in 1991 for the giant Jim Florio tax increase. For years, this vote was a badge of honor for leftists, who still maintain that Mr. Florio did the right thing. New Jersey voters sure don't. So Mr. McGreevey pulled a stunning mea culpa, saying that if he knew then what he knows now, "No, I clearly wouldn't have voted for that tax hike." You could just see James Carville, the political architect of that soak the rich tax increase, cringing in embarrassment.

Now, we've both been around politics long enough to be deeply skeptical of the Warner and McGreevey oaths not to raise taxes. Our hope is that Mr. Warner keeps his promises and turns out to be another Doug Wilder, the Old Dominion's most fiscally tight-fisted governor in 20 years, despite being a Democrat. But fiscally stressful times are ahead for the states, and new taxes are going to be mighty tempting option for these Democrats.

But in both states, any such tax flip-flop will prove mighty costly politically. Our advice to Mr. McGreevey and Mr. Warner: Don't go there.

If Mr. Warner or Mr. McGreevey doubt the political penalty they might face for flip-flopping on taxes, they might put in a call to former New Jersey Gov. James Florio. Twelve years ago, Mr. Florio won a record Democratic landslide against Republican Congressman Jim Courter by, among other things, ruling out an increase in state taxes. By January 1990, Mr. Florio's first month in office, he had "discovered" a fiscal shortfall that necessitated one of the steepest, most punishing tax increases in the history of New Jersey or any other state. And, of course, the rest is history: Christine Todd Whitman road the income tax cutting agenda to a stunning victory, presaging the landslide for Republicans in 1994.

One other factor played a big role in both these Republican defeats: party disunity. In New Jersey, Bret Schundler is still waiting for an endorsement from Gov. Donald DiFrancesco, the liberal acting Republican governor who was forced out of this race in the spring because of financial scandals.

Christie Whitman's endorsement was tepid at best. She played into Mr. McGreevey's hand by remarking that Mr. Schundler had some positions "outside the mainstream" of New Jersey.

To all too many liberal Republicans, particularly in the Northeast, the "big tent" of party unity is a concept apparently meant to be binding on conservative primary losers, but not on liberal primary losers like Mr. DiFrancesco.

There's no sugar coating it: Nov. 7 was a bad day for Republicans. Democrats are sure to take a page out of the McGreevey and Warner playbooks and run carbon copy campaigns as they attempt to take the House in the critical 2002 midterm elections. This is all the more reason that congressional Republicans cement themselves to a strong pro-tax cut position so that Democrats can't move to the right of them on fiscal issues this year and next.

The New Jersey and Virginia elections were a vindication, not a repudiation of the power of fiscal conservative values in America. When Democrats have to run as anti-tax advocates of fiscal restraint to win office, and when they have to distance themselves from the party's tax and spend liberal roots, the battle for pro-growth economic policies is being won.

Stephen Moore is president of the Club for Growth. Jeff Bell, a former Senate candidate in New Jersey, is a political analyst for the Club.

GRAPHIC: Cartoon, CROANING A NEW FISCAL TUNE, By Rich Pope/The Washington Times

LOAD-DATE: November 9, 2001

The Washington Times

September 28, 2001, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A23

LENGTH: 1125 words

HEADLINE: How to reverse the stock market Slide

BYLINE: Stephen Moore

BODY:
This week millions of patriotic citizens bought stock to invest in America and help prevent a financial market collapse.

Their efforts were only partially successful. Foreigners and big investment houses were selling. The Dow-Jones at one point in the week was down a catastrophic 1,000 points, while the Nasdaq has been flirting with the 1,500 mark - a two-thirds decline from its 5,000-point high mark back in early 2000. These are massive losses in Americans' wealth. The net worth of American citizens dropped by $1 trillion in the days since Wall Street reopened the stock market.

The murderous terrorists have not just destroyed life and property; they have caused a world of hurt to our financial stability and our free enterprise economy. That was their evil intention, of course.

There is even some evidence that Bin Laden and his co-conspirators shorted the U.S. market in the weeks before they unleashed their wicked acts of death and destruction so they would also profit from the ensuing market decline. It was no accident that the terrorists chose the World Trade Center towers as their targets. These beautiful structures were the very symbols of America' s financial and economic might.

We are not just fighting a military war, but an economic war as well. Our enemies mean to destroy our prosperity and drag down our high standard of living. Our politicians must understand that we must now respond not just by restoring our military supremacy, but our economic superiority as well.

President Bush and Congress are working on an economic rescue plan, but the White House may allow ultraliberal Democrats Sen. Tom Daschle of South Dakota and Rep. Dick Gephardt of Missouri to dictate the terms of that package in the spirit of "bipartisanship." If that turns out to be the case, the plan will almost certainly be severely flawed and insufficient to avert the economic crisis we now find ourselves in.

Mr. Daschle and Mr. Gephardt want tax cut gimmicks that would be only temporary in nature and would thus have a minimal revitalizing effect on the economy.

In any case, with 80 percent public approval, President Bush must go around the liberal Democratic leadership and present his own plan, and then dare the far-left flank of the Democratic Party to thwart his agenda.

The first goal of any economic package must be to restore confidence in the stock market. Congress and Mr. Bush must come to the urgent aid of the Main Street American investors who have risked their savings and retirement nest eggs in a shaky market. And they should act quickly. It took just 48 hours for Congress to pass a military emergency aid package. It shouldn't take more than that time to pass an emergency financial rescue plan.

We know from history precisely how to pump adrenaline into the market and get prices up. A capital gains tax cut. In fact, if Congress would immediately reduce the capital gains tax rate from 20 percent to 10 percent, we could reasonably anticipate that the stock market would regain all of the ground that it lost this week - and then some. The stock market virtually always rises after capital gains taxes have been cut, as seen in the graph displayed below. When the capital gains tax is lowered, the value of every company in America rises. This means that the stock must rise in value too.

Many Democrats fiercely oppose any reduction to the capital gains tax-as if it is a violation of their core religious beliefs. Rep. Charles Rangel of New York reportedly threw a tirade when House Speaker Dennis Hastert, Illinois Republican, suggested that the capital gains tax penalty be sliced in half. Mr. Rangel believes that only the rich would benefit from such a policy. But no one has ever explained to me how a falling stock market helps any American. Falling stock values hurt our soldiers, our seniors, our union workers, our minimum wage earners. And boosting the stock market will help the 80 million to 100 million Americans who today own shares of American companies.

Next, President Bush should propose some tax relief for the ailing manufacturing sector that has lost more than 1 million jobs over the past 18 months. The best plan here would be to allow companies to immediately expense the capital purchases - for plant, equipment, computers, R&D, etc., in the year that they incurred the expense.

Finally, all the tax cuts in the original Bush tax plan passed back in the spring should be implemented immediately, not over 10 years. I would adopt an effective date of Sept. 11, 2001. This would immediately lower tax rates to 35 percent and immediately end the death tax.

There really is no time to waste in getting these tax and regulatory reforms enacted. The U.S. economy was already teetering on the verge of recession before these planes struck their targets. Now a recession is almost a certainty-the only issue is: how long, how painful, how much wealth and income, and how many jobs will Americans lose over the next several months? It could get very ugly fast.

President Bush must take a page out of Ronald Reagan's economic playbook. A recurring lesson of American history is that we have won every major war because we had an industrial might that simply overwhelmed our opposition. Most recently, rapid economic growth was instrumental in winning the Cold War against the last great evil of the planet: totalitarianism. Ronald Reagan proved brilliantly in the 1980s that we can, if we simply get our economic policies aligned correctly, afford to pay for guns and butter, whereas our enemies with their inferior economic systems must choose between the two.

Mr. Reagan's adversaries here in the U.S. thought the idea of cutting taxes and fighting a war at the same time made little sense. But it was precisely the economic growth, inspired at least in part by the tax cuts, that convinced the Soviets they could never win an arms race with us.

Defense Secretary Donald Rumsfeld was right on the mark when he announced last week that we are now to fight the first 21st century war. This requires adopting a set of wartime economic measures that will push the pedal to the metal of our new age high-tech industrial structure. The measures will be designed to hyper-accelerate our rate of economic production to the 5 percent to 6 percent range.

Restoring prosperity to our economy - quickly - would be one of the sweetest forms of revenge against those who hate us. Bush now clearly has the capacity to ram through Congress an aggressive policy of growth. The plan he comes up with may very well ultimately define the degree of success or failure of his presidency.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: September 28, 2001

The Washington Times

August 26, 2001, Sunday, Final Edition

SECTION: PART B; COMMENTARY; Pg. B3

LENGTH: 975 words

HEADLINE: Savvy on Social Security

BYLINE: Stephen Moore

BODY:

The President's Commission to Save and Strengthen Social Security reconvened to examine reform options. The commission has documented in its first report that doing nothing is about as sensible an option as allowing the Titanic to move full steam ahead to the iceberg.

Left-wing fringe groups want to do just that. They have staged protests claiming that the commission's true agenda is to "destroy Social Security," as House Minority Richard A. Gephardt and so many others have alleged. But the hysteria is a proof positive sign that opponents of personal accounts are getting desperate and are losing the hearts and minds of American workers, who want to get more for their money.

Privatization is regarded by liberal Democrats as a frontal assault against the nanny state cradle-to-grave fortress that was first erected by Franklin D. Roosevelt some 60 years ago. They are actually quite right about that. Privatize Social Security and the rest of the New Deal/Great Society welfare state will come a tumblin' down.

So the stakes are high. The commission had better get the plan right - both from a financial and political standpoint - so that they don't give Mr. Gephardt and his cronies a big red round bull's-eye to shoot at.

The first thing they ought to do is call on Rep. Jim DeMint, South Carolina Republican, who has drafted a savvy and sensible private investment plan. Mr. DeMint's brainchild promises to get us to a fully private retirement system within a generation, faster and with less political resistance than any plan I have seen.

Mr. DeMint recognizes that tactically, it makes sense to pre-empt the strongest argument that the left has against private investment accounts. Opponents really only have one semi-persuasive argument: that private investment in the stock market is "too risky." In this lousy stock market, that argument has an aroma of truth to it. Most Americans lost money in their 401K plans last year for the first time in anyone's memory. The bearish market reinforces the message that stocks are too risky to gamble your retirement dollars on. (Let's set aside the fact that now may actually be the ideal time for workers to begin investing their payroll tax dollars, when the market is down, down, down. Buy low, sell high is the first rule of investing.)

The brilliance of the DeMint plan is that it guarantees a benefit no lower than Social Security would offer and thus removes virtually all of the "risk" from private investment accounts. His legislation, called the Social Security Personal Ownership Plan, is modeled after the Thrift Savings Account Plan that is now offered to federal workers, including, by the way, members of Congress. It has the added attraction that it is completely voluntary for workers. Those who don't want to control their own accounts may stick with Social Security.

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The. DeMint plan is also geared toward helping the lowest wage workers the most. He would allow factory and service workers, for example, to immediately invest as much as 8 percentage points of the 15.3 percent payroll tax into private investment accounts. Higher wage workers would start with a 3 percentage point diversion of the payroll tax into private accounts. President Bush's proposal only allows low-wage workers to divert 2 percent of their paychecks to IRA accounts. This means that lower income workers would be able to acquire real wealth much faster than under the Bush plan. This progressive feature of the proposal also solves the practical problem with some plans that lower wage workers might not be able to put enough money into their personal accounts (if the cap were 2 percent) to cover the administrative costs of private accounts.

The DeMint plan also overcomes the "transitional financing" problem that has liberal critics of privatization all hot and bothered. The DeMint plan would pay for current benefits out of payroll tax revenues plus borrowing from the on-budget surplus that is projected over the next dozen years or so. In fact, Mr. DeMint has run the numbers with the help of Social Security actuaries, and what he has found is that whereas the "do nothing" option would require an unfathomable $22 trillion of new debt over the next 75 years, the DeMint plan lowers that accumulated deficit by two-thirds because of the higher rate of return private investment offers. Any American 20 years of age or younger, could rely exclusively on the earnings from the personal accounts, and wouldn't need a dime of Social Security.

I have always believed that the three key components of Social Security private accounts are:

(1) No benefit cuts for seniors or near seniors. Social Security's promises need to be kept for the elderly and near-elderly.

(2) The plan should be voluntary. No one should be forced to join.

(3) Every worker should be guaranteed a minimum benefit payment when they retire, regardless of how poorly their accounts might do.

To my delighted surprise, I learned last week in a meeting with Mr. DeMint that these are precisely his priorities as well. "Access to real personal financial wealth should not be reserved for the privileged few," Mr. DeMint says.

Mr. Bush and the members of his commission should adopt this model plan as their own. No other plan to my knowledge allows even the lowest income workers to build-up real castles of wealth more quickly and efficiently than the DeMint plan.

The plan is bullet proof.

"Reforming Social Security is our generation's D-Day," Mr. DeMint says. "To leave future generations with the multitrillion-dollar debt of pay-as-you-go Social Security is the coward's way out."

He's right, of course. The question is whether there are more patriots than cowards on Capitol Hill these days.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: August 26, 2001

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LexisNexis™ Academic

The Washington Times

August 02, 2001, Thursday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 991 words

HEADLINE: Rebates every summer?

BYLINE: Stephen Moore

BODY:
Republicans have struck political pay dirt with the tax rebate checks that are now being delivered to the mailboxes of American taxpayers.

For weeks now tax cut skeptics have been ridiculing these tax rebates as financially irrelevant to most families, but I've yet to meet anyone who isn't eagerly awaiting their $300 to $600 check from the IRS. At parties, on talk radio, and in casual telephone conversations, all anyone wants to talk about is how they're going to spend their windfall. CNN's Web site chat room is filled with wild and innovative ideas for blowing $300 for anyone who is interested.

Economists are busily debating what the financial impact of these checks will be. But it's really irrelevant what people do with the money - whether they use it to pay down credit card debt or to buy a new car stereo system - it's their money, they should do with it what they please. The point is that these checks are a deserved and appreciated down payment on the Bush tax cut.

The popularity of these rebate checks got me to thinking. Why not send out an automatic tax rebate check every year that Uncle Sam runs a tax surplus? The size of the rebate check could be made conditional on how much of the surplus was not frittered away by congressional appropriators and their voracious spending appetites each year.

In other words, the promise of tax rebate checks could be the ultimate check and balance against the stampede of federal expenditures.

At the start of each fiscal year, Congress should determine the size of the expected non-Social Security tax surplus. Congress should then announce how large the expected surplus tax rebate would be for the typical taxpaying family. Under this new law, discretionary federal spending should be permitted to grow no faster than the rate of inflation (CPI growth) each year. If economic growth came in faster than expected, federal revenues would be higher and the rebate checks would be more generous. If Congress raced through its own appropriations speed bumps, the surplus checks would be correspondingly smaller.

My suspicion is that the prototypical soccer mom, who may not care a whit about politics, would be hopping mad that the rebate check she was counting on from the IRS to help pay the plumber's bill or for summer camp tuition, won't be coming this year because it was intercepted by the profligate spenders in Congress who found other uses for the money.

Herein lies the ingenuiousness of the automatic annual rebate plan.

For the first time in decades, fiscal conservatives would actually have a tool to gin up political support for trimming frivolous spending whenever and wherever possible. Voters would be given a financial incentive to keep the government's budget under a microscope and to repel spending for grants to the Pillsbury Dough Boy, obscene art exhibits, or the Bud Shuster moving sidewalk in Pennsylvania. Every dollar saved would be an additional dollar to be passed back to income taxpayers in the form of a bigger rebate check. Election year pork-barreling would lose its "free lunch" appeal because the marble-plated parking garages and the snow pea research funds would translate into less dollars available for a big rebate check every July.

Under this plan voters would think anew about supporting absurd new entitlement programs, such as the Kennedy plan for prescription drug benefits for seniors. Young voters who want the rebate check to help payoff their student loans would be butting heads with seniors who want yet another multi-billion-dollar taxpayer hand-out for free Viagra pills. If voters were aware that Congress' prescription drug benefit plan for seniors, with its gargantuan $300 billion price tag, might mean some $100 a year off their tax rebate check, worker enthusiasm for this new freebie entitlement might start to wane.

Congressional budget hawks like Sen. Phil Gramm, Texas Republican, would have a field day with this new automatic tax rebate plan. Mr. Gramm could announce, "Gee, I'd like to support this $50 billion plan to replenish the IMF, but I can't because it would mean that Texans would only get half the rebate check they're expecting in '02."

As the attached chart shows, federal appropriations have riscn more than 25 percent over the past four years. My forecast for this year is a 7 percent to 9 percent growth in appropriations leading to our first $2 trillion annual budget.

This comes on the heels of last year's 10 percent spending rampage.

Economist Larry Kudlow calls this phenomenon the "curse of the budget surplus" - because there's no longer a rationale to spend tax dollars frugally. But the Automatic Tax Rebate plan turns a curse into a taxpayer blessing. Surpluses mean bonus tax rebate checks in the mail. What's obvious from recent spending trends on Capitol Hill is that any plan that can create a political constituency for smaller government, would make a lot of economic sense these days.

The Automatic Tax Rebate plan would also heighten the political appeal of slashing tax rates and ultimately reforming the federal IRS tax code.

The experience of states like Colorado that have similar automatic rebate plans is that state legislators will cut taxes if they realize they can't spend surplus dollars on ribbon cutting ceremonies back home. Where's the joy in collecting tax dollars in the first place if you're effectively prohibited from spending them?

Finally, there is economic justice imbedded in this plan. Tax surpluses belong to the people, not the politicians. I believe it was H.L. Mencken who once called the federal spending process an advanced auction on stolen money. Under this rebate plan voters would be reminded that the federal dollars that Congress lavishes on us with such generosity is simply money stolen from us in the first place.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Cartoon, "HONEY, OUR TAX REBATE ARRIVED!. . .I'LL BRING IT IN JUST AS SOON AS I WRESTLE IT AWAY FROM TOM DASCHLE!", By H. Payne/Detroit News, 2001

LOAD-DATE: August 2, 2001

2704417279

The Washington Times

July 31, 2001, Tuesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A14

LENGTH: 944 words

HEADLINE: Why the death tax just refuses to die

BYLINE: Stephen Moore and Greg Kaza

BODY:

There was no more frustrating feature of George W. Bush's tax cut enacted last month than what happened with the death tax. Those who fought to get rid of this unfair extraction are hopping mad - and they should be. The new law phases out the death tax from its current 55 percent rate down to 45 percent in 2009, then repeals the entire tax in 2010, then reinstates this onerous tax at 55 percent in 2011.

This is a tax that penalizes people for saving; has compliance costs that are about has high as the dollar amount collected; and does so much damage to the economy that it may actually lose overall revenues for the government. Americans generally know all of this.

That's why roughly 2 of every 3 Americans wants this tax abolished pronto even though very few will pay this tax directly themselves.

The left-wing supporters of the death tax understand full well that they and their redistributionist cause have survived to fight another day.

One of the leading pro-death tax groups, called "Responsible Wealth," declares gleefully on its web site: "The Battle Isn't Over Yet."

Unfortunately, they are right. The Republicans have seized defeat out of the jaws of victory. This is a major disappointment for taxpayer advocates, because the pro-death tax forces had been circled and were defenseless with no means to avoid the slaughter. The votes were there in Congress to kill the tax immediately and forever, if the Republicans in the House and Senate and President Bush would have simply pressed their case and carried on the fight, rather than agreeing to a hollow victory.

Over the whole history of the United States, the estate tax has been a Dracula tax - it simply will not stay dead. The first U.S. death tax was enacted in 1797 to provide funding for the military but was soon abolished.

Other death taxes, enacted during the Civil and Spanish-American wars, were also quickly repealed - but always subsequently resurrected.

Our modern day death tax was enacted in 1916. Proponents, including the pro-tax group, Responsible Wealth, contend that entrepreneurs a century ago were responsible for its enactment. "Then as now," the group claims, "wealthy people took the lead in arguing for estate taxes." Responsible Wealth cites industrialist Andrew Carnegie's book, "Wealth," which opposes the creation of vast estates. This interpretation of the tax's origin overlooks the key role of another group: the socialist movement.

In fact, the continued existence of the death tax in the current federal tax code is one of the most visible sign of the influence of the socialist movement on the U.S. policy scene. Karl Marx was also a huge proponent of the wealth tax approach to private property confiscation and in fact, the wealth or estate tax was one of the leading policy recommendations contained in the "Communist Manifcsto."

The writer Edward Bellamy was another leading socialist in his day. In his book, "Looking Backward," Bellamy describes a future utopia, where there is "no private property to speak of, no disputes between citizens over business relations, no real estate to divide or debts to collect." Nor is there inherited wealth. Bellamy writes, "When we made the nation the sole trustee of the wealth of the people, and guaranteed to all abundant maintenance, on the one hand abolishing want, and on the other checking the accumulation of riches, we cut this root, and the poison tree that overshadowed your society withered, like Jonah's gourd, in a day." This book about a utopian socialism is actually cited by Responsible Wealth as presenting a persuasive case for the death tax.

The first reference to the death tax in a U.S. political platform occurred in 1892; the Socialist Labor party demanded a "progressive income tax and tax on inheritances; the smaller incomes to be exempt." The party repeated its demand in 1896. By 1904, the Socialist Party platform pledged to "work in both the economic and the political struggle" for the "graduated taxation of incomes, inheritances, franchises and land values."

Milton and Rose Friedman observed, "In our opinion, the Socialist Party was the most influential party in the United States in the first decades of the 20th century." The Socialists held the balance-of-power in nearly 225 congressional elections, including 120 lost by Democrats, and had 1,000-plus officeholders at their peak. In 1912, Democrat Wilson lost 22 electoral votes in states where Socialist Eugene V. Debs held the balance-of-power. Wilson's signing of the death tax prior to the 1916 election was a pragmatic attempt to co-opt the Socialist vote by taking over a key component of the socialist agenda.

The death tax was originally set at below 10 percent, but it quickly climbed to well more than 50 percent - a confiscatory rate that somehow remains in place today. It remains in place despite the fact that 92 percent of Americans who are rich today earned their wealth, they did not inherit it.

Reps. Dick Armey, Texas Republican, and Pat Toomey, Pennsylvania Republican,have introduced legislation to make the death tax repeal in 2010 permanent. But for now, the death tax is still robbing our graves and this perpetual fight between free-market capitalists and left-leaning income redistributors rages on.

One thing is for sure, until this tax is entirely extinguished with a stake driven firmly through its heart, the legacy of the socialist movement in America will continue to be a central feature of the American tax system.

Stephen Moore is president of the Club for Growth. Greg Kaza is executive director of the Arkansas Policy Foundation.

GRAPHIC: Cartoon, YOU CAN'T TAKE IT WITH YOU. . ., By Gorrell/Richmond Times-Dispatch (Creators Syndicate, Inc. 2001)

LOAD-DATE: July 31, 2001

The Washington Times

June 13, 2001, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 1066 words

HEADLINE: Priceless lessons of the tax-cut victory

BYLINE: Stephen Moore

BODY:
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Since about 90 percent of the laws passed in Washington harm the economy, rather than help it, it's worth celebrating those rare occasions when Congress actually does something that is good for America's long term prosperity. President Bush's tax bill is one of these rare policy achievements.

No one has complained of the defects of the tax bill (too back-end loaded to help the economy anytime soon, too small given the giant tax surpluses we now have, and too much of a concession to the class warfare rhetoric of the left) than I have, but this should not blind us to the genuine accomplishment that has been delivered by George W. Bush and the GOP's congressional leadership.

Why have I laid aside my past reservations to trumpet the Bush tax bill? Here are 10 reasons why conservatives should celebrate this bill's passage:

(1) When it comes to tax cuts: size does matter. One of the strongest arguments for the Bush tax cut is that it will take $1.35 trillion over the next 10 years out of Washington. This tax cut is the best conceivable repellent to new spending. This is precisely why the Democrats fought so tenaciously to prevent a tax cut of this magnitude from ever being enacted. Workers, businesses, and parents can spend $1.35 trillion much more efficiently than Congress can.

(2) A return to the supply side. As Larry Kudlow argued in NR Online earlier this week, the tax bill provides some modest, but not inconsequential, increases in supply side incentives to save, invest and take risks. Mr. Bush wanted to slash the top tax rate to 33%. Instead he settled for 35 percent. But hear this: The elimination of the phase out of exemptions and credits brings the effective top income tax rate down by at least one more percentage point. We didn't repeal the whole Clinton tax increase of '93, but this is a very nice start.

(3) Vindication for the politics of tax cuts. Moore's law of politics is that no one in the history of American politics ever lost an election by voting for tax cuts. After months of the media assuring us Americans don't really feel that tax cuts are a "high priority," every vulnerable Democrat in the Senate voted "aye" on the final passage of the Bush tax cut. Sen. Dianne Feinstein, California Democrat, voted for tax cuts. So did Jean Carnahan of Missouri, who never had a nice word to say about tax cuts in her life. So did Sens. Max Cleland of Georgia, Max Baucus of Montana, and Mary Landrieu of Louisiana. They must know something about the politics of tax cuts that the folks at CBS and the New York Times cannot seem to fathom.

(4) The left is fuming. It finally dawned on me: If this bill is so watered down, why is it that people like Tom Daschle, Dick Gephardt, Paul Krugman, and the entire staffs of The Washington Post editorial page and the Center for Tax Justice have been whining continuously about how horrible this "ill-advised" tax cut is going to be for the nation? Paul

Krugman moaned on NPR recently that this tax bill's price tag is really closer to $2 trillion.

Let's hope he's right.

(5) The GOP has finally put the 1990 "read my lips" debacle behind it. Taxpayers can trust Republicans again. Tax cuts were the crown jewel of the Bush domestic policy platform. The White House absolutely had to have this win and they got it - notwithstanding several near-death experiences in the Senate. Bravo to Karl Rove, Paul O'Neill, Larry Lindsey and the whole White House lobbying team that snared this victory for the president and the country. The ghosts of Dick Darman have been put to rest.

(6) McCain is now certifiably McCrazy. Sen. John McCain, Arizona Republican, showed his true colors. He actually voted against final passage of the Bush tax plan. He was one of only two Republicans in all of Congress to do so. Why this act of Jeffordsonian betrayal? Because he proclaimed that the bill favored the rich too much at the expense of lower-income Americans. He co-sponsored a poison pill amendment with Tom Daschle, South Dakota Democrat, to gut the Bush tax plan. Mr. McCain's evil plot was foiled thankfully by one vote. Prediction: John McCain will never again seriously contend for the Republican nomination for president.

(7) Tax-cutting success generates its own momentum. Why not another tax bill next month to cut the capital-gains tax? To give business well-deserved tax breaks? To phase in the tax cuts even faster? To repeal the death tax sooner? The conservatives in the House, including people like Dick Armey, Texas Republican, and Pat Toomey, Pennsylvania Republican, are already working on it.

(8) Class warfare rhetoric fell flat. The left's chief rallying cry against the tax bill for these last three months was "tax cuts for the rich." It didn't play in Peoria. Here's an example: In a recent McLaughlin and Associates survey, 60 percent of voters said they favored eliminating the death tax even for "billionaires." The lesson: the growth argument of the right once again trumped the envy argument of the left. John F. Kennedy was right: a rising tide does lift all boats.

(9) Fire the Joint Tax Committee. The biggest obstacle to tax cuts this year was Lindy Paul, the staff director at the Joint Tax Committee, which predicts the revenue losses from tax cuts. Lindy Paul consistently vastly overstated the "cost" of the tax cuts, even predicting that a capital-gains cut would lose revenues, when history proves conclusively that capital-gains tax cuts always raise revenues. If we want more tax cuts, we need to insist on real world scoring at the JTC.

(10) Want tax cuts? Vote Republican. Republicans win when they draw sharp distinctions with Democrats. On the tax issue, they have done just that. Every Republican in the Congress, save two (Sen. Lincoln Chafee of Rhode Island and the aforementioned Mr. McCain) voted for tax cuts. Meanwhile, the Democratic leadership and all the left-wing interest groups rallied against tax cuts. This sharp distinction on the tax issue can only help the Republicans, which is now genuinely the party of Ronald Reagan.

So conservatives should take some Prozac and cheer up. We've just passed the third-largest tax cut since World War II. This might not have been a Reaganesque accomplishment - but it's awfully close.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: June 13, 2001

The Washington Times

May 27, 2001, Sunday, Final Edition

SECTION: PART B; COMMENTARY; Pg. B3

LENGTH: 813 words

HEADLINE: Too little, too late on rates?

BYLINE: Stephen Moore

BODY:
The $1.3 trillion tax bill that is on its way to President Bush's desk, alas, has one monumental defect.

The tax plan provides too little tax reduction too late to help the economy any time soon. This is a problem that I and others have been blaring with a megaphone to the White House and the congressional leadership since the tax debate started back in January.

Apparently, no one is listening. The tax bill has gotten less economically stimulative, smaller in size, and more back-end loaded as it has meandered its way through Congress. What Congress is about to pass is a tax bill that would be terrific for America if we were living in 2011.

But, of course, this is 2001. And in 2001 the economy and the stock market are ailing. But the data below show that the tax cut does not provide much juice for the economy until about 2005. A supply-side tax stimulus is needed right now - not in 2005 and beyond.

This bill is not just the wrong medication for the economy. It is also politically boneheaded. In 2002, the Republicans must try to hold precarious majorities in the House and Senate in crucial midterm elections.

In 2004, Mr. Bush must run for re-election. In other words, Republicans will face voters twice before having provided almost any short-term tax policy changes to enhance capital investment, saving, risk-taking or job creation.

Now it is certainly plausible that the animal spirits of the information age economy, with some useful prodding from the accommodationist Federal Reserve policy of late, may muscle the high tech and manufacturing sectors back into shape even without any tax cut stimulus. The economy may soon roar back to life, in which case the Republicans will be home free.

But what if it doesn't? What if the economy remains stalled and the stock market continues to slip into bearish territory? Investor class voters are not going to be happy campers. Under a bearish scenario the political implications are almost 100 percent predictable: congressional Republicans will get wiped out in 2002. Mr. Bush may be evicted not long thereafter. And they will get tossed out because of their failure to rescue the economy when they had the opportunity to do so.

Why, for heaven's sake, take that chance?

As currently drafted, the tax bill provides just one microscopic supply-side stimulus to the economy before November

2002. It nicks the top tax rate down from 39.6 percent to 38.6 percent. And then there is no further reduction in the highest tax rate until 2005. That's what all the hullabaloo is about? This has about as much chance of hot-wiring the economy as a butter knife has of cutting down a mighty oak tree.

Now it's certainly clear that the anti-growth Democrats in Congress constitute an imposing obstacle to the Republicans' passing even a mildly stimulative tax bill. The Democrats have become so ensconced in class-warfare ideology that they are now seemingly genetically incapable of endorsing any change in tax policy that would help the economy. Any change in tax policy that would create prosperity, might also inadvertently help rich people. Tom Daschle and Dick Gephardt will have none of that.

Georgia's Sen. Zell Miller, the one Democrat who has consistently supported tax cuts this year, recently chastised his colleagues, noting that they are "is no longer the party of pro-growth tax-cutting as it was under JFK."

Tragically, he is right.

Why not add a three-year capital gains tax cut to 15 percent, effective immediately? Sens. Wayne Allard, Colorado Republican, and Judd Gregg, New Hampshire Republican, have sponsored an amendment to do just this. A capital-gains cut is the one tax change that could almost immediately rally the stock market, stimulate capital investment, and reverse the drought in venture capital funding that is dragging down the high-tech sector of the economy. To do this will cost virtually nothing in terms of lost revenue. It is virtually a free tax cut, that will do a world of good. It is an insurance policy against recession, and that's a policy that every Republican up for re-election in 2002 should gladly take out.

Whether it is fair or not, this is the George W. Bush economy, stupid. Passing a tax bill with delayed tax cuts in 2005 and beyond puts both the economy and the GOP in needless peril.

Fix it in the House-Senate Conference by getting more tax relief and rate reduction up front and by demanding a capital-gains cut. This will require President Bush to fight for further cuts and even risk defeat. He will need to stand off the class-warfare rhetoric that will be thrown in his face. But he will prevail, because Americans want a tax cut now not five years from now.

This fight will give Mr. Bush and the Republicans a victory that they can truly savor.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Chart, TOO LITTLE, TOO LATE: REVENUE GROWTH VS. TAX CUTS, By The Washington Times

LOAD-DATE: May 27, 2001

The Washington Times

May 16, 2001, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 868 words

HEADLINE: Party of grand old spenders?

BYLINE: Stephen Moore

BODY:
Don't look now, but with the budget agreement reached this week, it now appears that federal spending is going to end up growing at about 7 percent this year - or almost twice the spending rate under Bill Clinton. Good thing we've got Republicans in charge to keep government as small and confined as possible.

George W. Bush started the budget process with a reasonable, but slightly overweight budget. He called for 4 percent growth in spending.(Inflation, correctly measured, is running at maybe 1 percent.)

The budget deal struck this week between the Congress and the White House ratchets that spending number up to almost 4.5 percent. Some of this extra spending, of course, was due to demands by those dirty, rotten Democratic spendaholics up on Capitol Hill. But a lot of it was a result of demands by those no-good spendaholic Republicans that seem to be dominating the Republican agenda these days in Congress. Many Hill Republicans, who pontificate against big government, were quietly breathing a sigh of relief over the new inflated baseline in federal spending.

Now a 4.5 percent growth rate of the federal budget may not seem like the end of the world - and it isn't. But George W Bush campaigned for president on the promise that he would hold spending to a 4 percent rate of growth. So here's the problem: We're not even going to end up within spittin' distance of 4 percent. History teaches us that the spending levels set by the budget resolution in the spring become floors, not ceilings, on allowable expenditures. Once the congressional appropriators start mending together the actual budget bills in the summer and fall, spending inevitably gets ratcheted up.

My prediction of 7 percent spending growth this year is based on several fiscal reality checks. First, expect to see about $5 billion to $10 billion in "emergency spending" for victims of drought, floods, hurricanes, meteors and the like. My estimate for emergency spending is conservative and falls somewhat below the average for the past four years.

The budget will grow faster this summer and fall than currently advertised for other reasons. First, Republicans will surely capitulate to Democratic demands for Medicare coverage of prescription drugs. Figure that to add at the very least another $10 billion to $15 billion a year to spending. Second, the Rumsfeld Commission on military restructuring will almost certainly call for more dollars into the defense budget. I'll sidestep the issue of whether the $300-billion-a-year Pentagon actually needs more money, because that's beside the point. The point is there will be more money for defense that isn't now accounted for in the current budget estimates.

Now the Democrats are making a play to allow up to half of the $100 billion tax cut stimulus plan for new spending, not tax relief. Of course, if government spending could stimulate the economy, we would see soaring rates of GDP and job growth right now. After all, last year the budget rose by almost 8 percent.

What's behind this shopping spree impulse that has invaded Capitol Hill of late? Blame the towering tax surpluses that make extra spending seem prudent and affordable. Put a fat budget surplus estimate in front of appropriators and they start drooling uncontrollably like Pavlov's dog. This year's surplus is on tap to exceed $200 billion, depending on whether Congress passes a $100 billion tax rebate.

Now some in Washington are already making excuses for the coming shopping spree. They say some extra spending this year is justified to make up for some years of excessively tight budgets. We need, they say, to start making some "investments" in federal programs to make up for the years of neglect. What neglect? Federal spending hasn't been held under tight reins in recent years. In fact, just the opposite is true. The federal budget for discretionary spending has risen from $534 billion in 1996 to $646 billion this year. Nondefense discretionary spending has risen by 2 percent to 5 percent over this five-year period.

The bottom line here is that someone has to start holding the line on spending. If Republicans allow the budget to grow at twice the rate it did under Mr. Clinton, many conservatives are going to start asking the legitimate question: What are Republicans good for? Of course, if the GOP can deliver the crown jewel of their economic program, the $1.5 trillion tax cut, this could excuse some excessive celebratory spending this year. But a 7 percent increase?

The ultimate defense against this spending bulge is the presidential veto. Mr. Bush must signal to Congress that 4 percent to 5 percent spending growth is a cap that he will enforce with his veto pen. Powerful presidents have proved they can use the veto to grow their clout, not as an expenditure of political capital. Mr. Bush's budget vetoes would be all the more cheered by taxpayers if they were rejections of Republican pork.

I've said it before, but it bears repeating: Washington already has one party of big government. We surely don't need two.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: May 16, 2001

LexisNexis™ Academic

The Washington Times

May 06, 2001, Sunday, Final Edition

SECTION: PART B; COMMENTARY; Pg. B3

LENGTH: 814 words

HEADLINE: Playing economic word games

BYLINE: Stephen Moore

BODY:
George W. Bush is being accused of a terrible sin: "talking down the economy." Sen. Tom Daschle, South Dakota Democrat, recently complained that Mr. Bush's negative vibes are "very harmful to the economy."

Apparently, what we need from Washington now to bring jobs back and rally the stock market is happy talk. When Mr. Bush refers to the slump in the economy or mentions the dreaded "R-word," he is accused of torpedoing the economy for his own political gain. The left is still stewing over a statement made by Dick Cheney right after the elections when he urged passage of the Bush tax cut because "we might be on the verge of recession." Goodness, how reckless of the vice president.

The allegation that the Bush administration has been exaggerating the weakness of the economy is absurd on several fronts. First, the economy is weak. The latest economic news that the gross domestic product grew by 2 percent in the first quarter of 2000 points hopefully to our steering clear of a recession. A recession is technically two consecutive quarters of negative economic growth. But we're hardly out of the woods yet.

The manufacturing and high-tech sectors have been in recession for at least eight months now. The Federal Reserve Board reported last month that Americans lost some $2 trillion in the stock market in the fourth quarter of 2000. That's a far cry from prosperity.

In any case, how in the world does George W. benefit from economic pessimism? Let's assume for a minute Mr. Bush's critics are right: that Mr. Bush's mere utterances can cause a crisis in confidence and that a gloomy outlook from the White House can become a self-fulfilling prophecy. If that's the case, the administration's incentive is to be as Pollyanish as possible. After all, it's Republicans, not Democrats, who are going to get thrown out of office en masse in 18 months if the economy continues to tank.

Mr. Bush hasn't been talking down the economy at all, in fact, if anything he has been too slow to acknowledge the slowdown. He has refused to capitalize on the ailing economy to boost the case for a bigger and faster tax cut. In fact, it's the Democrats, not the White House, who have proposed an $80 billion tax rebate stimulus this year to get money into the pockets of consumers quickly. What for, if we're not in recession?

When George W.'s father was president the very same liberal critics skewered Bush Sr. for his failure to acknowledge and respond to the recession. George Bush Sr. was said to be insensitive to the plight of the working man - out of touch and unable to "feel the pain" of real America. Now the son is attacked for being overly sensitive to laid-off workers and for paying too close attention to the stream of negative economic news. The Bushes can't win.

But here's the most preposterous allegation of all. In an April 13 commentary in the National Journal, titled "The power of negative thinking," reporter John Maggs says George W.'s economic pessimism is nearly unprecedented. He quotes Andy Kohut, director of the Pew Research Center, who says he has never heard a president be so consistently dour about the economy. According to Mr. Kohut: "We're in new territory here. Presidents usually say 'everything is great, and I'm responsible.' Now we have one saying 'everything is lousy,' and 'I'm not responsible.' "

Mr. Kohut, I would like to introduce you to someone. His name is Bill Clinton. There has arguably never been a president who talked down the economy more persistently for political gain than Mr. Clinton. His mantra as president was that "we have the worst economy in 40 years." When he announced his record tax increase to the American people, he said it was necessary because the budget outlook was "much worse than I thought." This was all utter hogwash. The economy had grown at a brisk pace for a full year before Mr. Clinton became president. The budget outlook did not change much before and after Mr. Clinton's election.

Mr. Clinton was aided in this canard by a compliant media that throughout the 1992 presidential campaign portrayed the U.S. economy in the most dire terms, even though the recession ended in mid-1991.

One last point. Can presidents successfully steer the economy up and down just through their words of confidence or malaise? Perhaps a bit. Jimmy Carter just exuded doom and gloom, and every time he opened his mouth the country seemed to take a turn for the worse. Ronald Reagan's optimism and can-do attitude was clearly contagious and buoyed investor confidence.

But let's face it: There's only one politician in this new-economy age who can magically move markets with a mere gesture, facial expression or brief utterance. And his name is not George W. Bush. It's Alan Greenspan.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Illustration, NO CAPTION, By Cummings

LOAD-DATE: May 6, 2001

The Washington Times

April 01, 2001, Sunday, Final Edition

SECTION: PART B; COMMENTARY; Pg. B1

LENGTH: 952 words

HEADLINE: Tax-cut tips for slow learners

BYLINE: Stephen Moore

2704172808

BODY:
Watching the tax debate unfold on Capitol Hill, you would think Congress has been infected with Mad Cow Disease. Both the Republicans and Democrats seem to be trying to outdo each other with dimwitted tax cut proposals designed to help shore up the economy, but with almost no real stimulative effects and almost no chance of reviving the moribund stock market.

A case in point: Last week, as the Dow-Jones and the Nasdaq stock markets continued to plunge into gloomy bearish territory, causing almost all analysts to now concede that a recession is imminent, the House Republicans voted to increase the child exemption from $500 to $1,000 per kid. Will someone please tell these people that while they dither, Rome is burning. A $500 tax credit for kids may be good social policy to help families with kids pay their bills, but it doesn't do squat for a limping economy that has seen net worth fall by more than $2 trillion just since Election Day.

Meanwhile, Sen. Pete Domenici, New Mexico Republican, called for a $60 billion tax rebate this year. Mr. Domenici deserves praise for at least calling for a lot more short-term tax relief than is contained in the House-passed plan - which is so back-loaded that it offers an insultingly small cut this year and next. But a tax-rebate plan is the economic equivalent of flying a helicopter over Central Park in New York and dumping dollar bills out the window as a way to stimulate the economy. It's not going to work.

Equally baffling is the Democratic tax cut alternative. That plan calls for cutting the bottom tax rate from 15 to 10 percent right now. Sen. Tom Daschle, South Dakota Democrat, says the logic here is to put hundreds of dollars back into the pockets of the lowest-income taxpayers so they can rush out and spend to juice the economy.

Now admittedly the idea imbedded in both plans, which is that we should take tens of billions of dollars out of the federal treasury and give it back to workers, makes a lot of sense. And it can't hurt the economy. But both these plans are about the worst possible way to cut taxes if the goal is to restore prosperous times.

The problem - as I have been saying ad nauseum for two months now - is that Capitol Hill is shackled to demand-side logic on tax cuts. They find intellectual support from people like New York Times columnist Paul Krugman, who writes that tax cuts must stimulate consumer demand if they are to aid the economy.

But what's needed now is supply-side incentivizing tax-rate cuts that reduce the tax penalty on economically productive behavior. Supply-side tax cuts reduce tax rates in order to reward saving, investment and work.

Consider the idea of cutting the bottom tax rate. Imagine for a moment we had a tax system that taxed people at 15 percent for working on Monday, 28 percent on Tuesday, 31 percent on Wednesday, 36 percent on Thursday, and 40 percent on Friday. (This simplistic model actually isn't too far from the reality of our present day graduated income tax rate system.) Now it stands to reason that a lot of people would quit working on Fridays, or perhaps work until noon. In fact, even though the tax rate is higher on Friday than on Monday, tax collections on Monday could easily be higher than on Fridays. There would clearly be less economic activity on Fridays than on Mondays.

Would it make any sense to cut the tax rate on Mondays, but not the tax rate on Fridays? None whatsoever. That, however, in a nutshell is the reigning tax- cut proposal on Capitol Hill. Cut the lowest tax rate, but not the highest tax rate. Many Republicans, petrified of claims of "tax cuts for the rich," wish to cut the lowest income tax rate, but to delay cutting the highest rate. As I said, a clear sign of Mad Cow Disease.

The rebate plan submitted by Sen. Pete Domenici, New Mexico Republican, is well-intentioned, but also off-base. If you took the income tax structure as described above, and tried to fix things by giving every family $50 a week, they still may not work on Fridays any longer - in fact, with the added giveaway dollars in their pockets, they may choose to work less on Fridays, not more.

Clearly, if the goal is to generate more economic output, you cut the highest tax rate - i.e., the tax rate for working on Fridays. Economist Arthur Laffer, who converted Ronald Reagan to supply-side economics 25 years ago, has argued that we should raise, not lower the bottom tax rate, and then dramatically lower the top tax rate in order to create a fairer and more uniform tax rate on every day of the week.

The logic here leads us inexorably toward the tax ideal: a flat rate tax system: One uniform low tax rate paid by everyone. To get to a flat rate tax, the top income tax rate has to come down a lot - from 40 percent today, to perhaps 20 percent or 25 percent tomorrow. Lowering the bottom rate only makes the tax rate system steeper to climb.

The bottom line is this: There is almost no economic benefit to chopping the lowest tax rate, but a world of benefit from chopping the top rate as much and as soon as possible. The fiscal stimulus the economy needs should come from shaving the top income tax rate from 40 percent to 33 percent right now. A capital-gains tax cut would have a similarly immediate positive impact, especially on stock values. If we were to cut the capital-gains tax from 20 percent to 10 percent, the lower tax rate would be instantly capitalized into the value of stocks.

The economic logic here seems so straightforward that it should be compelling, even to the herd of mad cows on Capitol Hill.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Cartoon (color), CONGRESS / TAX CUT, By H. Payne

LOAD-DATE: April 1, 2001

The Washington Times

February 28, 2001, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 1037 words

2704172810

HEADLINE: Face-off . . . as budget bell rings

BYLINE: Stephen Moore

BODY:
It's been said about Congress that there are really three political parties on Capitol Hill: Republicans, Democrats and appropriators. President Bush is going to discover the truth of that maxim in coming months when he tries to sell his budget plan to Congress. David Stockman, President Reagan's first budget director, noted in his book "The Triumph of Politics" that the biggest adversaries to fiscal conservatism were often pork-barreling congressional Republicans.

The good news is that the budget that Mr. Bush has unveiled this week is a pleasant surprise. It's relatively tightfisted, capping federal domestic spending growth at below 4 percent for 2002. That's still too much, but it's a big improvement over the 6 percent rate of growth of spending in the last few Clinton years. Mr. Bush's budget also smartly leaves plenty of room for the $1.6 trillion tax cut, and it even reserves an additional $1 trillion for the Bush campaign proposal of allowing about 15 percent of workers' payroll tax dollars to be placed in personal retirement accounts.

In many ways, this is the most Reaganesque budget submitted by a president since the Gipper's last one submitted to Congress back in January 1989. The Bush plan offers more dollars for defense and unfortunately a preposterously large 9 percent bulge in the education budget, but all other domestic programs are held at or below the inflation rate. (The cardinals on the appropriations committee are already grousing, which is a good sign.) If Mr. Bush has his way, over the next five years, federal spending will fall below 18 percent of national output for the first time in 40 years. Budget Director Mitchell Daniels deserves high praise for this impressive blueprint for the new administration.

The Bush plan can now be conveniently juxtaposed alongside the more pro-spending congressional Democrat alternative. House Minority Leader Richard A. Gephardt of Missouri and Senate Minority Leader Tom Daschle of South Dakota recently endorsed a scheme calling for a third of the budget surplus to go to new domestic federal spending. That's $1 trillion more spending on top of the $1 trillion inerease in expenditures already built into the budget base line over the next decade. Ergo, Mr. Gephardt and Mr. Daschle desire $2 trillion in new spending through 2011. That's more than the entire net income of every resident of Ohio, Michigan and Illinois put together. The Democratic plan reinforces the validity of Mr. Bush's warning that if the taxes aren't cut, the money will be eagerly spent.

Alas, the Bush budget has two severe defects. First, it doesn't eliminate any ineffective or outdated federal programs. There are no programs zeroed out in this document, which is unforgivable given that there are thousands of programs crammed in the budget and hundreds of them no longer serve any public purpose. Any budget termination list should include the National Endowment for the Arts, the Legal Services Corporation, wool and mohair subsidies, Department of Commerce grants to Fortune 500 companies, the Export Import Bank and. . . . . Well, you get the picture.

All of this is to say that the Bush administration needs to hold up a few scalps at the end of the year to prove that Republicans in control of government are capable of ending programs, not just starting new ones. There's no reason that federal agencies should be endowed with the gift of eternal life.

The other defect of this budget document is the record-setting expansion for the Department of Education. Yes, this is the same agency Newt Gingrich and his colleagues six years ago correctly called for abolishing. Now Mr. Bush is boasting that the $40 billion he wants to spend on the Education Department would be "the biggest increase in the Department of Education budget" since it was created by Jimmy Carter as a sop to the teachers unions back in 1978. There's no way to sugar coat the lunacy of the Bush education plan: These extra federal dollars spent on school programs will be a colossal waste of money. And in fact, most Republicans who will vote for Mr. Bush's new federal education initiatives know full well that this money will do virtually zilch to improve our neighborhood schools. For 20 years, more federal education dollars have been associated with worse school performance. The Education Department doesn't deserve more money, it deserves a wrecking ball.

But on balance, Mr. Bush has now written a commendable budget. Enforcing it will be a much bigger challenge. Mr. Bush may be forced to demonstrate his commitment to fiscal fitness by vetoing congressional spending bills - even if they're primarily sponsored by Republicans - whenever those budget bills exceed his budget requests. After the past few years of a continuous spending spree on Capitol Hill, the Republicans need to reestablish their anti-big government credentials, and the White House will ultimately have to play the role of fiscal enforcer.

That won't be easy. Mr. Bush promises to hold the line on spending in precisely the areas where Congress has in recent years fattened federal appropriations. Since 1996, federal domestic discretionary spending - the area of the budget where the lowest priority programs ranging from Energy Department initiatives to the Legal Services Corporation to corporate welfare grants are storehoused - has surged by more than 20 percent. Last year, domestic appropriations bills were padded with some $30 billion in added expenditures in the last days of the congressional session. That extra spending over 10 years reduced the expected surplus available for tax cuts by some $250 billion. That would have been enough money to "pay for" the entire and immediate repeal of the death tax.

Mr. Bush's plan is an economic policy trifecta for conservatives. It constrains spending, funds a $1.6 trillion tax cut and reserves funds for private Social Security accounts. These are budget priorities worth fighting for. Whether Mr. Bush does or not will in large part determine the success or failure of his presidency.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: February 28, 2001

The Washington Times

February 23, 2001, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 981 words

HEADLINE: Digging up dirt on death taxes

BYLINE: Stephen Moore

BODY:
Just because someone is really, really wealthy, doesn't mean that he is well-endowed with common sense.

Earlier this week a handful of the richest people on the planet, including George Soros, Warren Buffett and Paul Newman urged Congress not to eliminate the death tax. More than 100 other rich people took out an ad this weekend in the New York Times, essentially saying "Please tax us." Estate tax advocates in Washington are exulting that even the nation's yacht-owners don't want this tax repealed.

The truth is that these fabulously wealth Americans aren't being nearly as selfless as it may seem. Most billionaire families have long ago engaged in careful estate tax planning-by, for example, depositing their fortunes into family foundations or by creating generation skipping trusts - to avoid ever having the long arm of the Internal Revenue Service reach into their graves for even a dime.

Let's take the example of Mr. Soros. According to research by Brett Fromson of TheStreet.com, there are very few Americans who have been so successful at gaming our tax system as the billionaire financier. Many of Soros investments are "offshore" hedge funds that are often exempt from U.S. taxation. "Soros can afford to support high inheritance taxes," writes Mr. Fromson, "given the enormous personal income tax advantage he enjoys." Now I personally have no objection to Americans engaging in legal tax avoidance. It's smart personal finance. But Mr. Soros shouldn't then turn around and hypocritically urge other people to pay more taxes, when he finds so many clever ways to avoid U.S. taxes himself.

The dirty little secret of the death tax is that the people who are clobbered by this tax are not billionaires. They are typically ordinary Americans with medium sized estates - the millionaire next door.

I am talking about ranchers, farmers, and self-starter businessmen and women. They are the risk-takers in our society who have spent a lifetime pouring sweat equity into their family-owned firms.

They become anguished and enraged when they discover that their reward for a life of virtue is a confiscatory death tax that will rob their grave. Every year there are thousands of heirs who are forced to literally sell the family farm or business just to pay the estate taxes. It's particularly unjust given that this tax is imposed on dollars that were already taxed when the income was earned during the deceased's lifetime.

Now Mr. Buffett worries that without a death tax America will become a society of pampered third and fourth-generation inheritors hoarding their family fortunes without ever working an honest day's wages or contributing to society their whole lives. (The image of Ted Kennedy may jump to mind here.) But as Professor Edward McCaffery of USC Law School argues, "If breaking up large concentrations of wealth is the intention of the death tax, then it is a miserable failure." The Kennedys and Rockefellers who still have massive family fortunes despite the estate tax.

The death tax rewards the very life of lavish and unproductive consumption it is intended to discourage. This tax says to the elderly: Live high on the hog; wrap yourself in every material comfort; eat, drink, be merry. You can't take it with you, and you can't leave most of it to your kids. Your goal is to die broke - the ultimate form of tax avoidance. Meanwhile the frugal man or woman who scrimps and saves and selflessly builds up a legacy to leave to his and her children, is clobbered by a death tax that allows the IRS to snatch more than half. Through the death tax, we reward vice and punish virtue. Where is the tax fairness in that, Mr. Soros? Mr. Buffet? Rep. Richard Gephardt?

One last argument that is used by the billionaires is that if we were to get rid of the death tax, it would destroy private charities. But there are volumes of evidence that charitable giving is influenced by economic growth much more than by the value of charitable tax deductions. In the 1980s, the value of charitable deductions fell almost half, but charitable giving soared. It's insulting to say Americans give to their churches or the Red Cross or the Salvation Army because they want a tax break. Granted, it is true that without the death tax, there would be fewer Ford and Rockefeller Foundations, but given how these Foundations have misspent money in recent decades, that wouldn't be such a bad thing at all.

George W. Bush is right to demand the end to the death tax. We consider ourselves to be the freest nation on Earth, but we currently have the second-highest death tax in the industrialized world. Many nations that seem much more socialistic than our own, like France and Sweden, impose much less onerous estate taxes than we do. This confiscatory tax collects a meager 1.5 percent of total revenues.

Some studies have predicted we would get more tax money, not less if we abolished the tax. George Mason University economist Richard Wagner, an expert on federal tax policy, has come to precisely this conclusion. He says that because the death tax channels billions of dollars of capital into economically unproductive and complicated tax shelter schemes, the tax reduces economic growth and thus costs the economy jobs and tax revenues. The death tax, of course, is not bad news for every industry: There are thousands of tax lawyers and crafty accountants whose livelihoods depend on preserving this tax.

I find myself in the unusual situation of siding with Hillary Clinton, not George Soros in this debate. Last fall while campaigning for the Senate in New York, Mrs. Clinton said: "You ought to be able to leave your land and the bulk of your fortunes to your children and not the government." Fortunately, 3 out of 4 Americans agree with her.

Stephen Moore is the president of the Club for Growth.

GRAPHIC: Cartoon, NO CAPTION, By Lurie/Cartoon News Magazine (2000 Worldwide Copyright By Cartoonews International Syndicate, NYC, USA)

LOAD-DATE: February 23, 2001

The Washington Times

February 07, 2001, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A15

LENGTH: 900 words

HEADLINE: Virginia's defectors to the pro-tax lobby

BYLINE: Stephen Moore

BODY:

It's a classic man-bites-dog story. Virginia's biggest and most influential business groups are supporting higher state taxes and spending. Industry associations ranging from the Virginia Chamber of Commerce to the Northern Virginia Roundtable have concluded that the only way this state can continue to prosper is by adding more beef to the budget, and suspending any talk of tax cuts.

Now the Virginia legislature, controlled by the Republicans, is poised to vote to halt the car tax repeal. Sen. John Chichester, a Republican from Stafford, says halting the car tax repeal is "the only fiscally conservative thing to do." It is also politically and economically blunderous.

At stake here, of course, is whether Virginia voters will get the car tax repeal they have been promised and they voted overwhelmingly for back in 1997 when Jim Gilmore was elected governor. The car tax is the most hated tax in Virginia. It has been half repealed so far. Most Virginians want the levy stamped out completely. I suspect that speaks for the vast majority of business owners and their workers.

Not so the business associations, who supposedly speak for these workers and entrepreneurs. The Virginia Roundtable says that only by suspending the car tax repeal can Virginia "still maintain government's ability to provide priority programs such as public safety, education, and transportation sic ." They left out corporate welfare payments, on which Virginia spends tens of millions of dollars a year.

The Chamber of Commerce's statement is even more baffling. The Chamber says Virginia shouldn't cut taxes because "erosion of the commonwealth's superior reputation for fiscal conservativism would be a frightful error." This is positively Clintonian rhetoric. What the Chamber is lobbying for is a tax increase (the car tax repeal has already been scheduled to take place under existing legislative agreements) and higher state spending. How is that fiscal conservatism?

Fortunately, Jim Gilmore has refused to knuckle under to the pro-tax business lobby and is fighting to preserve his legacy to Virginia: Complete repeal of the car tax by the time he leaves office. He not only has economic logic squarely on his side, but also a huge majority of the electorate. Now would be the worst possible time to betray the taxpayers in favor of Virginia's tax eaters.

Let's review the facts one more time on the state finances in Virginia. Every time the business groups start their greedy moan for more taxes, they portray Virginia as a state that has been bled of needed tax revenues to fund "essential government services." By listening to the Chamber of Commerce, you would think state lawmakers were living on the Jenny Craig diet plan.

Far from it. According to the National Association of State Budget Officers, last year, the Virginia general fund budget grew by 11 percent. That was the sixth-fastest growing budget of the 50 states. It's 3 times the rate of increase of population growth plus inflation in Virginia. It is twice the rate of growth of the budget of our more liberal-leaning neighbors, D.C. and Maryland. Over the past 10 years, the Virginia budget has more than doubled. How many Virginia families have seen their budgets double?

Everyone in Virginia wants better schools and less congested roads. But it is an absolute canard to argue that we can only have better state services by raising taxes. The state lawmakers would be wise to pay attention to the work of the Virginia Public Policy Institute. The Institute's research shows that very few states have spent more on schools, roads, and highways over the past 10 years than Virginia. The problem for Virginia is that as we keep pouring more dollars into the school system, the class performance remains flat. There has just been no indication that more inputs are producing better output.

Since the early 1980s, Virginia has prospered as few other states have. By some estimates, there are now more high-tech firms and workers in Virginia than in Silicon Valley. There are many explanations for why high tech has found Virginia to be such a hospitable place to do business. It's a right-to-work state. It offers quality public services. And yet the tax burden here is well below the national average. Businesses and high-skilled workers are attracted to low-tax areas. According to research by Ohio University economist Richard Vedder, more than 1,000 people every day move from high-tax to low-tax states.

Economist Zsolt Besci at the Federal Reserve Bank in Atlanta has found that raising taxes is seldom a defensible economic policy for states. To the contrary, Mr. Besci advises that "lowering aggregate state and local marginal tax rates is likely to have a positive effect on long-term growth rates." That's just the opposite of what the Chamber of Commerce is pleading for. It's worth noting that since 1995 more than half the states have cut tax rates to try to gain ground on Virginia.

Virginia businessmen who don't want their tax bills raised should stop paying dues to groups like the Virginia Chamber of Commerce and the Business Roundtable, which are lobbying to do just that. For those who remain, I would simply ask that they stop imposing their masochism on the rest of us.

Stephen Moore is an overtaxed Virginia resident and president of the Club for Growth.

LOAD-DATE: February 7, 2001

The Washington Times

December 22, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A20

LENGTH: 897 words

HEADLINE: Tax cut advisory

BYLINE: Stephen Moore

BODY:
During the presidential campaign, George W. Bush staked out a case for lowering taxes at a time when the economy didn't really need a tax cut. Mr. Bush's economic adviser Larry Lindsey was right that a tax cut was warranted as an anti-recession insurance policy. Mr. Bush made a persuasive case that taxes are way too high for a country enjoying peace and prosperity. And he was exactly right that cutting taxes is the best way to prevent new spending. But a tax cut wasn't economically essential given the soaring economy at the time.

Well, the world has changed a lot in just the last two months. Now, a tax cut really is imperative. Fiscal drag is finally rearing its ugly head, weighing down the economy in general and the high-tech sector in particular. The financial markets have turned dangerously bearish. Just since the election, roughly $1 trillion of wealth has disappeared because of sliding stock values.

The tax burden has risen from 18 percent to 21.5 percent of gross domestic product (GDP) in just the past five years. The last time taxes were this high was the late 1970s, when the economy was in a mini-depression. Last year, total public sector revenue surpluses were $300 billion - that's about 4 percent of GDP. Fiscal policy is way too tightly wound. A deep tax cut rescue plan is urgently needed.

If Mr. Bush doesn't cut taxes in his first 100 days, his presidency could suffer a crisis of public confidence right from the get-go. All of his political enemies - like Senate Minority Leader Tom Daschle of South Dakota and House Minority Leader Richard A. Gephardt of Missouri, are advising the new administration to shelve the tax cut for now, or drop rate reductions so the plan does not help the rich. No surprise here. Muddle-headed advice is exactly what one would expect from one's enemies.

What is surprising is how many of Mr. Bush's "allies" are serving up really dumb guidance. On Friday, House Speaker J. Dennis Hastert of Illinois advised the president-elect to put issues like school funding, debt retirement and health care reform ahead of tax cuts. And then as if an afterthought, Mr. Hastert said: "We can probably give Americans some tax relief to boot." Wow, Mr. Bush, you may be up against some pretty dense thinking inside your own party when you get to town.

If anything the economy is screaming for a bigger tax cut, not a smaller one, than the one Mr. Bush campaigned on. And features of the Bush tax proposal need to be refined given the new reality of economic slowdown on the horizon. So here are a few tax cut suggestions to help get the economy out of its rut:

1. Make the tax cut retroactive to Jan. 1, 2001. We need a supply side fiscal stimulus immediately - not in six months or even 100 days. Making the tax cut effective on Jan. 1 will trigger economic activity instantly regardless of when the

tax cut is signed into law.

2. Eliminate the death tax immediately. The Republican bill is flawed. It gets rid of the death tax in 10-years. That'll never happen. Even Democrat Rep. Charles Rangel of New York wants the tax rate lower in the first few years than the namby-pamby Republican bill. Repeal the death tax - all of it right now. Estates should be taxed, if at all, at the capital gains rate.

3. Cut the capital gains tax to 15 percent now. The last capital gains tax cut was an unqualified success: higher revenues, more savings and a surge in asset values. All the arguments against the cap-gains cut are now demonstrably wrong. Moreover, the cap-gains cut would be the single best way to revive the NASDAQ, which is down more than 40 percent over the past year.

4. Don't give up on the income tax rate cuts. The rate cuts and the death tax repeal are the most economically beneficial features of the plan. In the past 18 months, Germany, Japan, France and even Russia have cut tax rates. The United States has not. What's wrong with this picture? We're losing our competitive edge. Tax rate cuts must be a nonnegotiable item in your tax plan. Sen. Charles E. Grassley, Iowa Republican, the incoming chairman of the Senate Finance Committee says that you should promote populist tax cuts with Democratic support, such as marriage penalty relief. Marriage-penalty relief is fine, but it has no supply side growth incentives. We need rate cuts.

5. Make the switch to dynamic scoring of tax policy changes. Republicans have been complaining about static revenue analysis for 20 years. Now they can and must do something about it. The GOP now has control of the computers. Fix them. A model that predicts that when we cut the capital gains rate, the Treasury is going to lose revenue when in fact it gains boat/loads of revenues is worthless. Dynamic scoring is critical to selling the tax cut. This has to be done immediately.

6. End real income bracket creep. Your tax bill must insist upon indexing the tax brackets for the increasc in nominal income each year. This does not cost any money in the near term but prevents the insidious hidden tax increases that cause the tax burden to rise automatically over time.

The key is to use the political process to grow the tax cut; not to shrink it. The good news is that Mr. Bush has a mandate to cut taxes. Now he's got to use it.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: December 22, 2000

The Washington Times

December 08, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A19

LENGTH: 1001 words

27034172818

HEADLINE: A tax-cutter's dream team

BYLINE: Stephen Moore

BODY:
Ed Feulner, the esteemed president of the Heritage Foundation, is fond of saying "people are policy." He's, of course, right about that, as we learned during both the Reagan and the Bush presidencies. Conservatives had a premonition Dick Darman was going to be a big problem in 1988, and our worst nightmares were confirmed. If Republicans are going to move their agenda for tax cuts, private accounts for Social Security, and smaller government over the next few years, they had better pay attention to getting the right people in the right policy-making slots.

Republicans are going to be judged on one performance measure: the economy, stupid. Did they keep the prosperity going? Already there are worrisome signs of a fault line in the economy. Did the stock market rally of the past 18 years continue? The investor class is getting fidgety as their wealth has begun to fall in the recent bearish times. If Republicans don't reverse the trend, investors will, without recriminations, evict them from power in the next election.

There are three strategically vital economic positions that need to be filled with philosophically committed Reaganite tax cutters. They are Treasury secretary, director of the Office of Management and Budget, and Ways and Means Committee chairman. There's a clearcut supply-sider's choice for each of these vacancies: Bill Archer for Treasury, John Kasich for OMB and Phil Crane for Ways and Means.

Bill Archer is one of the most admirable and admired men in Washington. (I don't mean that to sound like a back-handed compliment - as though he's the sanest inmate in the asylum.) Mr. Archer's tax-cutting credentials are also impeccable. As Ways and Means Committee Chairman, he almost single-handedly bullied through Congress the 1997 capital-gains tax cut. He fought valiantly for cap-gains relief even after the GOP leadership was ready to cave in to the left's class warfare rhetoric. He's an unflinching free trader. He helped pass the most important social legislation of the past 40 years: welfare reform. He believes solemnly in sound money and is an inflation hawk.

In 1983, he was one of the most vocal opponents of the Social Security tax increase that the Greenspan Commission recommended and that President Reagan was hoodwinked by his disloyal advisers into endorsing and passing. He was one of the most effective critics of the Bush 1990 tax increase and the Clinton 1993 tax heist. In December 1994, he nearly gave the entire Washington press corps a collective coronary by announcing that as the incoming chairman of the Ways and Means Committee he wanted to scrap the income tax. There's not a more dogged advocate of overhauling the tax system. There's also no one in Washington who understands the tax system the way Mr. Archer does. (Mr. Archer actually fills out his own tax forms.)

And by the way, Gov. George W. Bush says he wants to fill some Cabinet slots with Democrats. Bill Archer was a Democrat when he first came to Congress in the early 1970s. He's perfect.

The Republicans need to rediscover an anti-big government agenda. Right now there is none. Few Republicans believe in small government anymore - or at least enough to fight for it. The exception is John Kasich. He almost single-handedly bullied the "Contract with America" budget through the House of Representatives in 1995 when he was Budget chairman. That budget plan called for eliminating 200 government programs and three Cabinet agencies He has taken on corporate welfare, pork, the military industrial complex. He has formed alliances with Democrats like Tim Penny and Green Party leader Ralph Nader to sweat waste out of the federal enterprise. He knows the budget like the pope knows the Bible. He would be the K Street lobbyists' and the congressional appropriators' worst nightmare.

There is no one who can better market leaner federal budgets (assuming that's what Republicans want) in a populist way to voters. Mr. Kasich insists he doesn't want the job. Mr. Bush needs to persuade him that his country needs him. He's perfect, too.

Finally, the GOP needs someone who can write the tax legislation without buckling to the political pressures of the left. The Constitution states that tax bills must originate in the House. The good news is that the next in line for the Ways and Means Committee chairmanship is Phil Crane of Illinois. Mr. Crane's 30-year conservative credentials are stellar. He has a 90 percent lifetime National Taxpayers Union rating. He never saw a tax rate cut he didn't like. He was a leading champion of Mr. Reagan's 1981 tax rate cuts. He was for the flat tax long before it was cool. In the early 1970s he endorsed a flat tax of 10 percent.

The liberal wing of the GOP that opposes Mr. Crane grouses that he lacks the political gravitas to run this committee effectively. Nonsense. For the past six years Mr. Crane has chaired the Trade Subcommittee of the Ways and Means Committee. Mr. Crane was a maestro in winning congressional support for NAFTA, GATT and China free trade. That's an astonishingly bullish trifecta given the controversy surrounding each of these trade deals. If Mr. Crane is bypassed, it will be an insult to fiscal conservatives and a blow to economic common sense.

To make sure that the economy doesn't crater, Mr. Bush and the Republican Congress must ram an emergency tax cut through Congress within 100 days. They must immediately follow up with a legislative victory campaign for the Bush Social Security choice plan. The GOP needs leaders who (a) have deep convictions that these plans are the right ones for America and (b) have a proven track record of success in navigating a pro-growth agenda through the shark-infested waters on Capitol Hill. Mr. Archer, Mr. Crane and Mr. Kasich: It's a supply-side dream team.

The GOP would be foolish to let talent like this go to waste.

Stephen Moore is president of the Club for Growth.

LOAD-DATE: December 8, 2000

The Washington Times

November 29, 2000, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A17

LENGTH: 825 words

HEADLINE: Keep the car tax promise

BYLINE: Stephen Moore

BODY:
It seems like just yesterday that Jim Gilmore became a national cause celebre with his "No Car Tax" appeal. Mr. Gilmore proved that the great American tax revolt is alive and well in America. The bumper stickers and the yard signs shouting "Kill the car tax" could seemingly be located on every boulevard and parking lot in the state. Mr. Gilmore's 1997 landslide gubernatorial victory proved to the skeptics, many of whom sit in the state legislature, that the most hated levy in the state of Virginia is the car tax.

Now some of those same legislative naysayers want to curtail the final phase-in of the car tax repeal. In an interview with The Washington Times Mr. Gilmore justifiably insisted on keeping his word.

Simply put, delaying the car tax would be a betrayal of the voters who put him in office and would be a stain on a record of four years of accomplishment in Richmond.

So far roughly half of the hated car tax has been repealed. That's expected to rise to 70 percent next year and then 100 percent the year after. If the truth be told, a lot of Virginians who voted for Gilmore, and I include myself in that category, are stewing over the fact it has taken this long to get rid of the car tax. After Mr. Gilmore's election, many residents thought the tax would be gone in the first year of Mr. Gilmore's administration. Instead, we got a four-year phase-out.

So here we are with car tax repeal opponents warning that the economy is slowing in Virginia and hence revenues aren't coming in at the brisk pace of recent years. Delegate James Dillard, a Republican from Fairfax says halting the car tax repeal is the "right and reasonable thing to do." No, James. Keeping your promise to the taxpayers is the right and reasonable thing to do.

Let's set the facts straight here. You can count on one hand the number of states that have been as flush with cash as Virginia has in recent years. Last year the state had nearly double-digit growth in tax receipts, even with the car tax phase-out. Last year Gov. Gilmore wasn't exaggerating when he declared: "These aren't good times for Virginia, they're the best of times." The right and reasonable thing to do last year was to devote the fire hose of revenues to fully phase out the car tax immediately. Instead, the money got spent.

Last year, according to the new report by the National Association of State Budget Officers, the Virginia general fund budget rose by - hold on to your hats, folks - 10.6 percent. And remember, that's in an era of virtually no inflation. This wasn't a mere spending spree, it was a seven-course budget feast with champagne and caviar at the Ritz.

Only four state legislatures had a more voracious spending appetite last year than Virginia's. Nor was the spending buildup just a one-year aberration: Over the past three years, the Virginia state budget has expanded nearly 20 percent.

Somebody ought to inform the polticos in Richmond that gluttony is one of the seven capital sins.

The idea Virginia can't find the money to balance the budget and repeal the car tax at the same time is absurd and even insulting. The car tax phase-out would deprive the state of just $300 million in revenues, but the state has a $900 million reserve from all the excess taxes we have all been sending to Richmond year after year. If Mr. Gilmore and the legislature in Richmond could simply hold state expenditure growth to 4 percent in 2001 - that's more than the federal budget went up last year - the car tax repeal could proceed, and the budget would remain in surplus. So what's the problem here? State legislators - Republicans and Democrats alike - have become so accustomed to obese budgets, they can't fathom dieting on lean-cuisine for once.

Some of the car tax-repeal opponents say a higher priority should be roads and schools. That is obviously an emotionally appealing argument to suburbanites in Northern Virginia. But again it masks the fiscal reality in Richmond. A recent Virginia Insitute for Public Policy study shows that Virginia has been pouring money into road building, smaller class sizes, school construction, and teacher pay raises. "It's a myth that Virginia underfunds schools and roads," the report concludes.

Now is the time for Mr. Gilmore to fight for his legacy. The car tax can be ended this year without any new taxes and without any draconian cuts in high-priority government programs in Richmond. In the current political environment in Virginia, as in D.C., voters are putting a premium on politicians who keep their word. Republican Delegate Jack Rust of Virginia is dead right when he says: "We have to keep the car tax promise." It really is that simple.

It would be a shame if the tax revolt that Republicans rode to victory in 1997 came back to bite them in 2001.

Stephen Moore is an adjunct fellow at the Cato Institute and president of the Club for Growth.

GRAPHIC: Photo, Jim Gilmore

LOAD-DATE: November 29, 2000

The Washington Times

November 24, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A26

LENGTH: 707 words

HEADLINE: Advice the GOP could do without

BYLINE: Stephen Moore

BODY:
At the risk of sounding impolite, Bob Dole is like a bad penny that just keeps rolling back into the public arena at the most inopportune times.

On the Sunday morning talk shows this week the four-time failed presidential candidate served up the single most atrocious piece of advice imaginable for our presumptive next president, George W. Bush. When asked by Tim Russert whether Mr. Bush will be forced to move away from the "radical" agenda of the right, Mr. Dole said W. would be well advised to "back off on the tax cut. I wouldn't want the tax cut to be the first order of business." Well, what should be the first order of business? Mr. Dole suggested Mr. Bush "reach across the aisle" and push bipartisan legislation on issues like Medicare reform and prescription drug benefits.

In other words, if Mr. Bush is declared the victor, he should immediately abandon his own agenda and take up Al Gore's. Ingenious.

What's frightening is that the Bush insiders just may be listening to this dreadful advice. If they do, George W. Bush's presidency, assuming there is one, will be a colossal failure. How many times do Republicans have to relearn the lesson that when they abandon their conservative/libertarian bloc of voters, they don't expand their base, it evaporates. The political graveyard is full of contemporary examples. Gerald Ford. Papa Bush. And, yes, Bob Dole.

But I'm confident Mr. Bush has the shrewd political instincts to reject the flawed game plan Mr. Dole and many in the media have pronounced. The Bush advisers I've talked to say their strategy is to do just the opposite of what Mr. Dole recommends: to make the tax cut plan the pillar of the legislative program of a George W. Bush administration. Tax cuts should be sent to the Republican Congress immediately after the Inauguration.

It's absurd for the press to maintain that tax cuts are "radical" and controversial. After all, many moderate Democrats in the House voted for death tax repeal, marriage tax penalty relief, and IRA expansions just a few months ago. Moreover, exit polls on Election Day revealed that a slight majority of Americans (53 percent) favored the Bush tax plan. No, that's not a ringing mandate, but it's evidence that across-the-board tax cuts are still politically popular.

Mr. Bush's economics team also needs to read the tea leaves: the economy is showing signs of losing steam. The growth rate has been cut in half, from 4 percent to 2 percent, over the past six months. It's still the economy, stupid. Tax cuts can and should be promoted to the public as an anti-recession safety net. To put it in the language of his old man, tax cuts mean "jobs, jobs, jobs."

Mr. Bush isn't even in the White House yet and the jackals in the press are already trying to set him up for a fatal fall.

They're calling for Mr. Bush to retreat from his anti-tax platform because the election was so close. Nonsense. This isn't the first close or even disputed election in history. There have been many American presidents who successfully advanced their agenda even though they had smaller percentages of the vote count than Gov. Bush got. John F. Kennedy had a slew of legislative victories (including a tax cut) following his narrow and disputed election of 1960. One of the nation's most successful presidents, Thomas Jefferson, won a disputed election. This didn't cause him to moderate his stance on the issues. He never retreated from his core convictions that the federal government should play a limited role in domestic affairs and that the states had primacy in our federal system. He was resoundingly re-elected.

OK, want a more contemporary example? In 1994 a prominent governor won a narrow victory and then proceeded to enact a whirlwind, populist, conservative agenda that included tax cuts, toughened education standards, litigation reform, and work-for-welfare requirements. Each of the initiatives had powerful political enemies. Four years later that governor was re-elected in one of the greatest landslides in Texas history. President George W. Bush should use the same winning strategy that he did as governor.

Stephen Moore is president of the Club For Growth.

GRAPHIC: Cartoon, Bob Dole

LOAD-DATE: November 24, 2000

The Washington Times

November 15, 2000, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A17

LENGTH: 928 words

HEADLINE: New investor class in winner's circle

BYLINE: Stephen Moore

BODY:
Why did Republicans hold Congress despite a huge money blitz by the Democrats and their liberal financing army?

One big reason is that the 2000 election was the first in history in which a majority of those who went to the voting booth were owners of stock. And in pulling the lever for Republicans, those members of the new shareholder class in America voted their financial interest. They opted for Social Security privatization and pro-saving, pro-investment tax cuts because they implicitly understand these policies are good for growth and good for stocks. Just as importantly, investor class voters rejected a Gore-Gephardt campaign premised on the political banner of class warfare and corporate bashing.

The fact that voters opted against wealth redistribution politics and instead chose the policies of wealth creation tells us a lot about the attitudes of the modern electorate. The vast majority of the 85 million Americans who own stocks are trying to claw their way into the top 1 percent in wealth and income. They are deeply skeptical of political rhetoric and policy proposals that could erode the wealth creation process altogether.

The old-school Democratic strategy of appealing to the New Deal generation of seniors and millions of blue-collar unionized voters has worked magic for liberals in many past elections. Why not this one? The answer is that the voter base for nanny state economics is shrinking. The union vote has changed in two ways in recent times. First, it's smaller than anytime before in the last 50 years. The chart shows that a political strategy marketed to the self-interest of the new investor class reaches 3 times as many voters as one targeted to union-headed households. When Lyndon B. Johnson won his landslide victory for president in 1964, there were 3 times as many union members as investors. In the 2000 election, there were 3 times as many investors as card-carrying union members. That's a huge demographic shift.

Second, the union vote now eonsists increasingly of government employees. Today, almost half of AFL-CIO members work for the government. The fact that the AFL-CIO is now dominated by schoolteachers, bus drivers, and other public employees has moved the union movement sharply to the left, and has simultaneously prevented Democrats from running as Bill Clinton-style New Democrats. Public employee unions won't tolerate school choice, social security choice, free trade, welfare reform, and tax cutting. Al Gore and Richard Gephardt ran away from these populist issues, and the centrist voters abandoned them in the millions.

The $30 million to $40 million campaign by AFL-CIO and supplemented with dollars from the war chest of the trial lawyers was intended to wrench control of the House away from the Republicans. It failed because it's core message - that government, rather than individuals should be making critical life choices - is as flat and outdated a 3-day-old Coke left sitting in the sun.

Although the final exit survey results aren't yet available, pre-election polls suggested the GOP had an 8 to 10 point lead over the Democrats with investor class voters. Given that the investor class Americans can be located in virtually every demographic categories - age, race, sex, income and religious affiliation - it appears that for the investor class electorate, pocket book issues, or actually what might be called wealth accumulation issues, transcend concerns that the press cares so passionately about, most notably, abortion, education, prescription drug benefits, gun control, affirmative action and campaign reform.

Investor class voters are a finicky lot, with no deep-rooted party loyalties. They voted for Bill Clinton in 1996, because his administration had been bullish for investor portfolios. Now that they have re-elected the Republicans in Congress, the GOP had better stand and deliver on the pro-growth policies they have promised. The GOP has received a voter mandate for death tax repeal, income tax rate cuts, and private accounts for Social Security. Each of these must be enacted in 100 days. But there's more that a George W. Bush administration must push to keep mutual funds growing in value.

cFirst, the anti-trust witch hunt of the Reno Justice Department should be immediately closed down. Microsoft and Intel must be left alone to add value for shareholders.

cSecond, trial lawyers have to be muzzled. They endanger our prosperity by blackmailing private industry. Lawyer fees in cases with government as the plaintiff should be capped at no more than $1,000 an hour. In the tobacco settlement cases, some lawyers were getting $100,000 an hour in fees.

cThird, the capital gains tax cut is conspicuously absent from the Bush tax plan. But the last capital gains tax cut increased federal revenues, caused wealthy taxpayers to pay more tax, helped spur an increase in stock values, and corresponded with a huge surge in venture capital funding. That is to say, the class warfare critics were wrong on every count. The correct rate of tax on capital gains is zero, but even a cut from 20 percent to 15 percent would have a bullish impact on the economy.

All this is to say the new Republican regime must focus all its energies on growth policies and politics. Voters took a gamble last Tuesday. Everyday they will be gazing at their stock portfolio to gage whether that gamble is paying off.

Stephen Moore is president of the Club for Growth and a senior fellow at the Cato Institute.

GRAPHIC: Chart, STOCK OWNERSHIP VERSUS UNION MEMBERSHIP, By The Washington Times

LOAD-DATE: November 15, 2000

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The Washington Times

November 06, 2000, Monday, Final Edition
Correction Appended

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 715 words

HEADLINE: Suicidal corporations

BYLINE: Stephen Moore

BODY:
Lord knows why Republicans ever raise a finger for big business. Corporate America has to be composed of the greatest bunch of ingrates in political history. In recent years the GOP has given the business groups virtually everything they've asked for: GATT, free trade with China, a capital gains cut, deficit reduction, protection from shareholder suits, and more high tech immigrants.

Now the business groups are repaying the GOP by giving about half their money to - Democrats running for Congress.

The Washington Post reports that of the $ 70 million that business has raised for campaigns this year, $ 33.7 million has gone to Republican committees and $ 36.3 is going to the Democrats. (See Table.) Are these brain-dead PAC directors listening to what Al Gore and Dick Gephardt are saying on the campaign trail? Messrs. Gore, Gephardt, and Daschle regularly bash Big Oil, chemical companies (polluters), the pharmaceutical industry, tobacco companies, and high-tech firms like Microsoft and Intel. Now industry rewards them with a faucet of dollars. This is a case of feeding the mouth that bites you.

A case in point: one prominent business PAC, called BIPAC, is giving money to Kansas Democrat Dennis Moore. Mr. Moore voted against death tax elimination. Meanwhile, the Republican challenger, Phil Kline, is a solid free-market, anti-tax candidate with a good chance to pick up this seat for the GOP. A tightly contested House seat in California has the Business Roundtable and BIPAC funneling funds to the Democrat Cal Dooley, not the pro-tax cut Republican Rich Rodriguez.

By supporting Mr. Moore and Mr. Dooley in these races, BIPAC is helping put the Speaker's gavel in Dick Gephardt's hands. Mr. Gephardt has one of the lowest pro-business ratings on record.

The business groups defend themselves by saying: "We need to hedge our bets." That's funny, because the unions and the trial lawyers and the Hollywood gazillionaires don't "hedge their bets." Ninety-five percent of their money goes into the coffers of the Democrats.

Some Republicans are furious at the big business betrayal. Pat Toomey, a second-term Republican in the House who represents Allentown, Pa., one of the most unionized areas in the nation, has been hit hard by AFL-CIO attack ads. Mr. Toomey risked his neck for business by voting for the free trade agreement with China and against the minimum wage bill. He wonders why business groups are locking arms with union bosses to help elect a Democratic Congress.

Part of the problem is that big business doesn't always support smaller government and free markets. When the Republicans in the House wanted to terminate federal funding for the International Monetary Fund back in 1998, BIPAC and the Business Roundtable lobbied against the funding reduction. This despite the overwhelming evidence that the IMF is an obstacle to pro-growth policies in poor nations. But the IMF provides a safety net for Fortune 500 companies doing business overseas, so never mind the corruption, big business says keep the funds flowing.

Similarly, when some Republicans wanted to cut corporate welfare grants through the Commerce Department, the business groups retaliated by calling the GOP anti-business. The truth is that in these and too many other instances, it's the business lobby that's anti-free enterprise.

The brilliant Wall Street Journal columnist Paul Gigot calls the business PAC community "rope sellers." They provide the rope to the Democrats who will soon turn around and hang their shareholders. There are a few notable exceptions, such as the NFIB and the Small Business Survival Committee, both of which take consistently principled stands on policy issues. Their members don't want anything from Congress. They simply want to be left alone. But when it comes to corporate America, big business and big government seem to be as cozy as ever. Ralph Nader is absolutely right on this point.

All this is to say corporate America has a suicidal impulse. It aids and abets its own worst enemies. Republicans should stop carrying water for big business. If they do, the business PAC money will start to pour money behind them like never before.

Stephen Moore is president of the Club for Growth.

CORRECTION-DATE: November 15, 2000

CORRECTION:
The Nov. 6 column by Stephen Moore titled "Suicidal corporations" should have stated that the Business Round Table gave money to Democrat Dennis Moore in a tight Kansas congressional race against Republican Phil Kline.

GRAPHIC: Chart, BIG BUSINESS POLITICAL GIVING, By The Washington Times

LOAD-DATE: November 6, 2000

The Washington Times

October 31, 2000, Tuesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A18

LENGTH: 1158 words

HEADLINE: Adding makes it bigger

BYLINE: Stephen Moore

BODY:
Al Gore continues to assault George W. Bush's $1.5 trillion tax cut plan because it would "spend all the budget surplus." But Mr. Gore's own federal spending plans and promises are costlier than Mr. Bush's tax cut - by a long shot. These new spending proposals are so enormous tax increases might be necessary to keep the budget in balance under a Gore administration.

Mr. Gore's campaign proposals - for universal federal preschool funding, drug benefits to seniors, the Kyoto global warming treaty, anti-smoking programs, expanded Medicaid health coverage, and the like - would add $1.6 trillion to the federal budget over the next 10 years. And the price tag for his new entitlement programs could mushroom to about twice that amount in the decade after that. Gov. Bush is right: no Democratic presidential candidate in the last 30 years - not Michael Dukakis, Walter Mondale or even George McGovern - contemplated such a high-priced menu of new federal initiatives. In fact, the cost of Mr. Gore's spending schemes exceeds those of Ralph Nader's Green Party.

I have scoured through all of the spending proposals presented on the Gore 2000 web site or in the latest Clinton-Gore budget proposal presented to Congress. I have added to that the taxpayers' tab for all the special interest campaign trail promises Al Gore has made over the past several months. As the table shows, the biggest-ticket items are new entitlement programs. For example, Mr. Gore's gold-plated prescription drug benefit program for seniors would cost $432 billion. His "Retirement Savings Plus plan" would dole out another $200 billion in tax dollars to low-income workers - many of whom cannot afford to save on their own because of the 15 percent Social Security tax. Expanding government health coverage to uninsured families would, conservatively estimated, cost $146 billion. His plan to provide free or subsidized preschool for 3- and 4-year-olds carries a $115 billion price.

Mr. Gore's blueprint also envisions beefing up the budgets of most of the federal regulatory agencies, including the Occupational Safety and Health Administration, the Environmental Protection Agency, and the civil rights and antitrust snoops at the Justice Department. He wants $16 billion for teacher pay raises; a $200 million anti-smoking initiative (it is the least he can do; after all, his sister died at the hands of the evil tobacco companies), $45 million for curtailing violence at abortion clinics, $2 billion to combat urban sprawl, several hundred million to develop solar energy and other alternatives to fossil fuels, $2 billion for a "livable cities" plan, at least $1 billion more for researching global climate change, and the ultimate in political correctness: a new Labor Department program to "train women for high-tech jobs (no price tag listed)."

The precise total comes to $1.64 trillion of new spending through 2010, or almost $15,000 for every household in America. Note: This does not include the $500 billion of targeted tax carve-outs for 1970s-type initiatives such as "a tax credit to consumers for the purchase of more fuel-efficient cars and SUVs," "lifetime learning tax credits," and building energy-conserving homes.

What is perhaps even more astonishing than the blizzard of new programs endorsed by Al Gore is that he has suggested virtually no offsetting budget cuts. All this new spending would be paid for by squandering the expected tax surpluses. Out of the several thousand federal programs in the 1,600-page federal budget, Al Gore, the man who invented reinventing government, hasn't yet identified a single one in his presidential campaign that should be terminated. (Alas, neither has Mr. Bush.)

In the presidential debates and on the campaign trail, Mr. Gore has cultivated a fiscally moderate image. But this is simply the vice president reinventing himself. The truth is that from the moment he first entered Congress more than 20 years ago, Mr. Gore has been a relentless advocate of nanny-state government expansionism. In 1989 and 1990, Mr. Gore won the National Taxpayers Union award for the biggest spender on Capitol Hill, on both occasions nudging out Ted Kennedy for this dubious honor. In 11 of 13 years, Mr. Gore received the lowest possible NTU grade from NTU on taxpayer issues.

Nor is there much hope Mr. Gore's running mate will push him in a less taxpayer-hostile direction. NTU reports that Sen. Joseph Lieberman, Connecticut Democrat, votes with taxpayers just 6 percent of the time, rating him a lifetime F grade as well. Mr. Gore still crows about voting against the Reagan tax cuts in 1981 - even 35 million jobs and 10,000 points on the Dow Jones later. The Joint Tax Committee recently announced that if it were not for the Reagan tax cuts, the average income family today would be paying some $6,000 a year more in taxes.

If enacted. Al Gore's new generation of federal welfare state entitlement programs would be ticking fiscal time bombs with costs that would explode over the next decade, just when Baby Boomers are set to retire and the budget is expected to go back into deficit on its own. Mr. Gore's audacious $1.5 trillion agenda to nationalize day care, health care, education, crime fighting, transportation policy, health care, zoning and traffic patterns are brilliantly softened with conservative rhetoric about advancing "fiscal responsibility."

Al Gore is not so much a man who wants to reinvent government, as he is a man who wants to relegitimize it. His proposed blitz of new spending is more expensive than any other presidential candidate has sought since Lyndon Johnson unveiled the Great Society.

And just when we thought the era of big government was over.

Stephen Moore is president of the Club for Growth and a fellow at the Cato Institute.

****CHART

GORE'S TRILLION-DOLLAR SPENDING SCHEME

PROGRAM 10-YEAR ESTIMATED DESCRIPTION COST (IN BILLIONS)

Social Security Plus Accounts = $360

Prescription drug benefit for seniors* = 224

Social Security for widows = 150

Federal health insurance for children = 146

Military pay increase = 135

"Five Point Education" plan = 115

Pollution reduction incentives = 68

Universal preschool = 50

Information technology initiative* = 23

21st century research fund = 21

Foreign aid expansions = 19

Farm safety net = 11

Public transit subsidies = 10

Increase cancer research budget** = 9

Day care subsidies = 7

After school programs = 6

Federal land purchases = 6

Increased regulatory enforcement = 6

Medicaid/S-chip = 6

Energy conservation = 5

Kyoto Treaty compliance = 5

Brownfields redevelopment = 4

Rent subsidies = 4

Anti-urban sprawl programs = 2

Equal pay initiatives = 1

Total = $1,602

* Based on estimates in Clinton administration's FY 2001 budget

** This is a five-year program

GRAPHIC: Chart, GORE'S TRILLION-DOLLAR SPENDING SCHEME, By The Washington Times ; Cartoon, I INVENTED A WAY TO MAKE ALL THESE DELICACIES SO THEY WOULD NOT MAKE GOVERNMENT BIGGER!, By Mike Shelton/The Orange County Register (2000)

LOAD-DATE: October 31, 2000

The Washington Times

October 20, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A19

LENGTH: 836 words

HEADLINE: Not a do-nothing Congress

BYLINE: Stephen Moore

BODY:

With Congress finally set to adjourn, the Washington pundits are blasting the "do-nothing" Republican Congress. Wall Street Journal writer Al Hunt recently wrote a scathing column on the GOP's legislative record, titled: "The Sorry 106th." Mr. Hunt seethes that "this has been one of the pettiest, most irrelevant sessions full of cheap shots and expensive pet projects while brushing aside big issues."

What the press is missing in all this is that in this sizzling economy there's a lot to be said for do-nothingism and gridlock. "When you're in the groove economically," says economist Arthur Laffer, "you want to stay in the groove. The Less Congress does, the better." Ray Keating of the Small Business Survival Committee has shown that, over the past 20 years or so, the economy tends to do better the fewer laws Congress passes.

Economist Jim Bianco of Arbor Trading Co. has looked at the evidence over the past several decades and he documents that the stock market performs more than twice as well when the Congress is out of session - and isn't regulating, taxing, spending or engaging in other meddlesome activities that erase wealth.

In Washington, "do-nothingism" is defined as refusing to pass the Democratic legislative wish list. So the failure to enact a Medicare prescription drug benefit, campaign finance "reform" legislation, a health care bill of rights (really "the trial lawyers' bill of rights") a minimum wage increase, and day care subsidies is disparaged as a sign of the GOP Congress' ineffectiveness. A strong case can be made that the greatest virtue of the Republican Congress over the past six years has been its judicious inaction on Bill Clinton's most economically destructive ideas - notwithstanding the unsightly election-eve spending spree that funded many of Bill Clinton's budgetary priorities.

But the charge that the Republicans in Congress have done nothing productive this year is contradicted by examining their legislative track record. The Republicans in the House and Senate have passed a slate of impressive and pro-growth bills this year, despite their razor-thin five-seat majority. Here's a list of the accomplishments:

(5) Repeal of the Social Security earnings test imposed against seniors who continue to work after they reach the age of 65.

(5) Phaseout of the unfair death tax over 10 years.

(5) Passage of the free trade agreement with China.

(5) Marriage penalty elimination.

(5) Sunsetting the IRS tax code.

(5) Telephone tax repeal.

(5) Banking reform.

(5) The largest budget surplus in American history.

That's a lot of activity for a "do-nothing Congress." None of this is regarded as of much consequence to the national media, because most of those in the chattering class don't favor these changes. It's a very peculiar double-standard in Washington that failure to enact a new multibillion-dollar entitlement for Medicare is denounced as a sign of "do-nothingism," but passage of a bill to eliminate the death tax, the most despised and unfair levy in the entire IRS code, is greeted with a ho-hum.

Bill Clinton, of course, vetoed the death tax and marriage penalty relief. Where are the howls of protest from the media about White House obstructionism?

Republicans can and should run on their record of accomplishment. Despite the recent doldrums in the stock market, the Dow-Jones has nearly tripled from 3,600 to 10,500 since November 1994 when the GOP seized control of both houses. Interest rates have fallen by more than 100 basis points since then. More than half a trillion of national debt has been erased. In six years the GOP has cut the capital gains tax, approved two major free trade agreements, reformed welfare, balanced the budget and brought government spending down from 22 percent to 20 percent of gross domestic product.

If Republicans hold on to Congress and win the White House in November, they will almost certainly abolish the death tax, cut income tax rates, begin the process of converting Social Security into a system of private retirement accounts, and expand school choice options for tens of thousands of families across the nation. All those initiatives could have enormously positive effects on the American economy. This stands in stark contrast to Al Gore's own activist agenda - the Kyoto treaty, the Microsoft antitrust case, a carte-blanche for trial lawyers to skim the cream off every successful industry, and at least three new social welfare entitlements - which could hardly be more economically wrong-directional.

Alas, Al hunt is right about one thing: There has been a pork fest on Capitol Hill of late. My dreary prediction is that federal spending may actually rise faster if Republicans control the White House and Congress than it has under the Clinton years.

In fact, if there is any complaint about the Republicans in Congress, it is not that they did nothing. It is that they did too much.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Photo, NO CAPTION, By Damon Scheleur/Special to The Washington Times

LOAD-DATE: October 20, 2000

The Washington Times

October 12, 2000, Thursday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 722 words

HEADLINE: 'Don't mess with Texas'

BYLINE: Stephen Moore

BODY:
In recent days, the panicked Gore campaign has been firing rhetorical Scud missiles at George W. Bush's record in Texas. The latest screed from the Gore campaign blasts George W. Bush for being a fiscally reckless governor. Mr. Bush has "spent the surplus in Texas on budget busting tax cuts," charges the vice president. Mr. Gore also alleges that the one-time $6 billion budget surplus in Texas is "rolling away like tumbleweeds." He has also lambasted the Texas governor for allowing the schools to crumble in Texas due to financial neglect.

So what is the real fiscal record of George W. Bush as governor? My research indicates that Mr. Bush has racked up a solid, if not spectacular, fiscal and economic record in Texas. Although the budget has ballooned by about 40 percent to $100 billion since he became governor in 1995, this has been a pace below personal income growth in the state. The U.S. economy has done well since 1994 - the Texas economy has performed even better. Under Mr. Bush the Texas economy has ranked well above average in population and income growth. So, yes, the budget has grown a lot - too much, in fact - but the economy has grown even faster.

The Gore campaign is right about one thing: the tax burden has come down under Gov. Bush. In 1993 Mr. Bush signed a $1 billion property tax cut instead. Then last year he impressively pushed through another $1.7 billion property and sales tax reduction - the biggest in Texas history.

On the Cato Institute fiscal policy report card of the governors Gov. Bush received the grade of a B and the 4th best score of 46 governors examined. He came to Austin promising tax cuts, budget control (his predecessor Ann Richards was the biggest spending governor in Texas history), tort reform and a more pro-business regulatory climate. More or less, he kept all of those promises.

If there's a blemish on Mr. Bush's record it is his eagerness to throw money at the schools in order to pacify the education lobby. In last year's budget deal, Mr. Bush shoveled a record $2.1 billion of new money into the Texas schools, and then called himself "the education governor." Feeding the education blob is hardly education reform. Unfortunately, on the presidential campaign trail, Mr. Bush has shown the same propensity to show commitment to fixing our mediocre schools by fattening the budgets of the education blob and expanding the intrusive federal role. Both are bad ideas doomed to failure.

Mr. Bush also needs to reestablish his fiscal conservative credentials by pin-pointing federal programs that his administration would eliminate. There are hundreds of wasteful and obsolete federal programs in the $1.8 trillion federal budget. But so far the Bush team has failed to identify even a single program the governor would terminate. Mr. Bush even evicted from the 2000 Republican platform any specific mention of specific program eliminations - such as the National Endowment for the Arts, the Legal Services Corporation and the Department of Education.

Nonetheless, from a taxpayer standpoint Mr. Bush's fiscal record is sterling compared to that of Al Gore. During his tenure in Congress Mr. Gore was ranked at or near the bottom of the National Taxpayers Union ranking every year. In 1989 and 1990 he was the biggest tax and spender in the entire United States Senate.

Mr. Gore's mudslinging at Mr. Bush for unbalancing the budget says more about the vice president's arithmetic skills than it does, the governor's fiscal record. The latest state comptroller report indicates a $1 billion-plus budget surplus in Texas, not a deficit. In fact, Mr. Bush has produced a surplus 6 years in a row.

Gov. Bush has countered Mr. Gore's attacks by warning: "Don't mess with Texas." He has also lobbed a grenade back at the Democrats: "If Al Gore suggests a state with a surplus shouldn't cut taxes, then how can the American people count on Al Gore to cut taxes when our nation has a surplus?" Good question. The big fiscal difference between Messrs. Bush and Gore is that for 8 years Bill Clinton and Al Gore have promised middle class tax cuts, while Mr. Bush has actually delivered them.

Stephen Moore is president of the Club for Growth and a fellow at the Cato Institute.

GRAPHIC: Cartoon, ALL I SAID WAS, 'TEXAS'. . . NOT TAXES., By Gary Mark Stein/Milwaukee Journal Sentinel (Copley News Service) ; Chart, TEXAS OUTPERFORMS NATION, By The Washington Times

LOAD-DATE: October 12, 2000

The Washington Times

October 05, 2000, Thursday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A14

LENGTH: 849 words

HEADLINE: Immigration as a foreign asset

BYLINE: Stephen Moore

BODY:
In the final weeks of the 106th Congress, Republicans on Capitol Hill have an opportunity to pass an immigration bill that would have a substantially positive impact on the U.S. economy.

By combining an increase in visas for high-tech workers with a more generous legalization program for many Central Americans already here, the immigration bill would be shrewd politics too, potentially steering many Latino voters in to the Republican camp.

The economic case for the immigration bill are almost beyond dispute. It turns out that one of the biggest impediments to continued prosperity is not a scarcity of oil, but a scarcity of talented and hard-working people. Everywhere I travel, the single most persistent complaint I hear from employers is the need for more workers. Charles Hilton, the owner of six hotels in Panama City, Florida tells me that "we couldn't keep our hotels open if it weren't for immigrants. We still need a lot more."

The labor shortage problem is not a myth made up by greedy employers. Silicon Valley desperately needs more computer technicians, physicists, mathematicians and electrical engineers.

A 1999 study by the Joint Venture in California, estimates that the acute shortage of workers in Silicon Valley costs employers about $3 billion a year.

Meanwhile, in the fast booming Southwest, construction companies cannot fill $12 to $15 an hour jobs. Service industries across the nation complain that they can't find nurses, kitchen help, waiters and waitresses, clerks, maids, home care workers, and auto mechanics.

Anti-immigrant groups, such as the Federation for American Immigration Reform (FAIR), are trying to spook the public with stories of Americans losing good jobs if more immigrants gain visas. But years of economic research can't detect much of an impact of immigrants on unemployment or wages for Americans. In some localized markets and in some industries - the taxicab market in D.C., for example - immigrants do displace Americans. But the flexibility of our labor markets allow fairly rapid adjustments, allowing a person displaced from one job, to quickly snatch up another. Consider this awesome statistic: Over the past 20 years, the U.S. has admitted about 15 million new immigrants. But over that period, the unemployment rate has fallen by almost half.

If anyone thinks closing the gates to immigrants is a good way to protect jobs, take a good look at Europe. Many European nations have become more nativist in recent years, closing their doors to foreign workers. Guess what? These nations typically have unemployment rates twice as high as ours.

Immigrants aren't just doing the grunt work. They also provide technical skills needed in our cutting edge high-technology industries, as well. As many as 1 in every 4 workers in Silicon Valley are foreign-born. I once asked a personnel manager at Hewlett-Packard what would happen if Congress closed the golden gates to new immigrants. "It would bring our semiconductor industry to its knees," he answered without hesitation. In this age of global competition for brain power and talent, we need as many talented foreigners as we can get.

So here's what Congress should do. First, double the number of so-called H1B visas for immigrants with special technical skills that are unavailable in the U.S. labor force. Sen. Spencer Abraham, Michigan Republican, has been pushing for more high-skilled immigrants and he is right. "What's the sense of teaching foreigners in American universities and then not allowing them to work here after we've subsidized their education," he notes. Good question.

Next, we need to start accelerating the citizenship process for many of the immigrants already here. The backlog for U.S. citizen applications now is approaching the 2 million mark. Congress should be encouraging citizenship, not creating every conceivable roadblock to it. Sometimes it seems the INS is a less friendly federal agency than the IRS.

Finally, there are several hundred thousand Central Americans and Eastern Europeans, who long ago fled their war-ravaged countries and sought freedom here. Many of these refugees have been in the U.S. for as many as 20 years working, contributing, and staying out of trouble. But they still haven't gained the legal protections they deserve. They are, for all intents are purposes, Americans, but without the proper paperwork. Republicans could build up a lot of good will with Latinos and other ethnic groups, if they displayed some compassionate conservatism and allowed these Americans in name only to become full-fledged citizens.

Congress can and should get all this done this year. With these changes, we can allow several million aspiring Americans to fulfill their life long dreams. Moreover, we can ensure the immigrants to the U.S. over the next 20 years will be the most talented people ever to come to these shores. That's a proven formula for national greatness. And it could help the GOP win elections too.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Chart, AMERICANS IN WAITING, By The Washington Times

LOAD-DATE: October 5, 2000

The Washington Times

September 27, 2000, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 878 words

HEADLINE: World Bank poverty fog

BYLINE: Stephen Moore

BODY:
The World Bank's new report on global poverty is chock full of precisely the kind of wrongheaded economic thinking that the Bank has become so (in)famous for. Congressional Republicans should seize upon this most recent study on "the extraordinarily uneven" gains from global capitalism as evidence the Bank is hopelessly left-leaning and infested with politically correct scholars who haven't the slightest clue about how to help nations create wealth and prosperity. The Bank is a deterrent to economic progress and the U.S. does a great disservice to the world's poor by continuing to fund it.

What is creating all the fuss over this report is its boneheaded conclusion that global capitalism is failing to pull the poor out of poverty. This is a strange conclusion indeed, given that the trend away from command and control economies and toward free markets is lifting living standards almost everywhere around the world (outside of Africa). How could the Bank disregard all evidence of material progress and conclude that world poverty is a bigger problem today than 10 to 20 years ago? Because it uses a new elastic definition of "poverty." According to the gobbledy-gook in the report, poverty is not just a lack of money, but "powerlessness, voicelessness, vulnerability and fear." Heck, by this definition we could all be in poverty.

The report's conclusions from the faulty findings are even more off target. The Bank's chief economist says "global capitalism is failing the world's poor." Therefore, what is needed is a bigger government sector in health care, greater political rights for women and even affirmative action for the poor and minorities. The key to conquering poverty says the report is to give more political power to the poor. No, the author wasn't Che Guevera, but there are so many sophisms in this report that it sure sounds like him bellowing from the grave.

Some of the report's conclusions are simply factually inaccurate. For example, the Bank says the world's poor are getting poorer and that they are more vulnerable to disease. Dead wrong on both counts. In fact, worldwide per capita living standards have more than doubled since 1960. The world's two most populated nations, China and India, have recorded stunning progress in living standards over the past quarter-century. How? By privatizing state owned enterprises, moving toward free market policies and establishing private property rights in agriculture, by cutting the government sector, and by chopping confiscatory tax rates.

The past 30 years has witnessed the greatest era of global prosperity in world history, and the Bank completely buries the lead, by emphasizing "income gaps" rather than "income gains." Globalization has been a big component of the success story. International trade is bringing new and higher-paying jobs to poorer nations where historically jobs at livable wages outside of agriculture have been scarce to nonexistent.

As for health care, the progress here has been even more thunderous. The infant mortality rates in developing countries have been cut by more than half, just since 1970 in most non-African third world nations. Life expectancies have soared even in the poorest countries like Bangladesh and India. This is mostly due to incredible gains in nutrition, sanitation and basic health care. The world's inhabitants are less vulnerable to disease today than ever before in human history.

Just about the only place on Earth where economic and health progress has not occurred has been Africa. But the failing African nations tend to be the least connected to the forces of globalization. Global capitalism is not the cause of the horrible epidemic of death and economic backsliding in Africa. Global capitalism appears to be these nations only possible salvation.

The World Bank hasn't a clue to as to what causes countries to get rich. It's not really very complicated. A recent Heritage Foundation report shows that nations that have the most economic freedom have the most economic progress. Nations that are the most economically free have per capita incomes that are roughly 10 times higher than those that are not free. Phil Harvey of DKT International and I recently used the Heritage index on economic freedom and discovered that nations that have the most open and free economies have life expectancies for their citizens that are 20 years longer than for residents of the most unfree nations. This may be hard for the World Bank bureaucrats to comprehend, but economic freedom (i.e. capitalism) really is the panacea to better health and greater wealth.

After reading through this most recent report, it is hard not to sympathize with those leftwing protesters who rallied in front of the World Bank and IMF buildings last Spring in D.C. They were right: These institutions are dangerous. There's no evidence the billions of dollars of development aid over the past couple of decades has done much good, and the "free" economic advice it offers is even worse.

One sure way to advance world economic prosperity is to stop United States government funding of the World Bank.

Stephen Moore is an adjunct fellow at the Cato Institute and president of the Club for Growth.

GRAPHIC: Cartoon, WORLD ECONOMIC FORUM ; Chart, FREE COUNTRIES ARE WEALTHIER AND HEALTHIER, By The Washington Times

LOAD-DATE: September 27, 2000

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Insight on the News

September 18, 2000, Monday

SECTION: FAIR COMMENT; Pg. 44

LENGTH: 719 words

HEADLINE: Texas Economy Boomed Under Bush's Policies

BYLINE: Stephen Moore

BODY:

The latest screed from the Al Gore campaign blasts George W. Bush for being a fiscally reckless governor. Bush has "spent the surplus in Texas on budget busting tax cuts," charges the vice president. Gore also alleges that the onetime $6 billion budget surplus in Texas is "rolling away like tumbleweeds." In his speech at the Democratic National Convention, Gore claimed that schools are crumbling in Texas due to fiscal neglect.

So what is the real fiscal record of Bush as governor? My research indicates that Bush has racked up a solid, if not spectacular, fiscal and economic record in Texas. Although the budget has ballooned by about 40 percent to $100 billion since he became governor in 1995, this has been a pace below personal-income growth in the state. The U.S. economy has done well since 1994 and the Texas economy has performed even better. Under Bush the Texas economy has ranked well above average in population and income growth. So, yes, the budget has grown a lot - too much, in fact - but the economy has grown even faster.

The Gore campaign is right about one thing: The tax burden has come down under Bush. In 1993 Bush crafted a complicated tax-restructuring scheme that proved to be hugely unpopular with small businessmen, who saw the plan as a back-door tax hike aimed at them. The plan became a political hot potato, so Bush wisely abandoned it in favor of a $1 billion general property tax cut instead. Then last year Bush impressively pushed through another $1.7 billion property and sales tax cut.

On the Cato Institute fiscal-policy report card of the governors, Bush received the grade of "B" and the fourth best score of 46 governors examined. He came to Austin promising tax cuts, budget control (his predecessor, Ann Richards, was the biggest-spending governor in Texas history), tort reform and a more pro-business regulatory climate. More or less, he kept all of those promises. If there's a blemish on Bush's record, it is his eagerness to throw money at the schools in order to pacify the education lobby. In last year's budget deal, Bush shoveled a record $2.1 billion of new money into the Texas schools and then called himself "the education governor." Feeding the education blob is hardly education reform. Unfortunately, on the presidential campaign trail, Bush has shown the same propensity to show commitment to fixing our mediocre schools by fattening the budgets of the education blob and expanding the intrusive federal role. Both are bad ideas doomed to failure.

Bush also needs to reestablish his fiscal-conservative credentials by pinpointing federal programs that his administration would eliminate. There are hundreds of wasteful and obsolete federal programs in the $1.8 trillion federal budget. But so far the Bush team has failed to identify even a single program the governor would terminate. Bush even evicted from the 2000 Republican platform any mention of specific program eliminations, such as the National Endowment for the Arts, the Legal Services Corporation and the Department of Education.

Nonetheless, from a taxpayer standpoint Bush's fiscal record is sterling compared to that of Gore. During his tenure in Congress, Gore was ranked at or near the bottom of the National Taxpayers Union ranking every year. In 1989 and 1990 he was the biggest tax-and-spender in the entire Senate.

Gore's mudslinging at Bush for unbalancing the budget says more about the vice president's arithmetic skills than it does the governor's fiscal record. The latest state comptroller report indicates a $1 billion-plus budget surplus in Texas, not a deficit. In fact, Bush has produced a surplus six years in a row.

Bush has countered Gore's attacks by warning: "Don't mess with Texas." He also has lobbed a grenade back at the Democrats: "If Al Gore suggests a state with a surplus shouldn't cut taxes, then how can the American people count on Al Gore to cut taxes when our nation has a surplus?" Good question. The big fiscal difference between Bush and Gore is that for eight years Bill Clinton and Al Gore have promised middle-class tax cuts, while Bush actually has delivered them.

Stephen Moore is president of the Club for Growth and a fellow at the Cato Institute in Washington.

GRAPHIC: Illustration (color), NO CAPTION, By Lurie/Cartoonews International Syndicate, NYC, U.S.A.

LOAD-DATE: September 18, 2000

The Wasengton T imes

neptewber 10, 2000, Sunday, Final Edition

SmCTIOw: PART B, COMMENTrvRY, Pg B1

LENGTH: 997 words

HEmLINE: Avoiding a budget train wreck

BYLINE: Stephrnn Moore

BODY:

House Republicans recently anounced that when it comes to the upcoming budget negotiations with the White House, they are willing to meet Bill Clinton "more than half way." GOP leaders are so tewified of another government shutdonn that no annite House spending demand will be remmsed no maper how fiscally reckless

Sound familiar? This was the same blunderous negotiating tactic that nearly cost Republicans the House in November 1998. In those midterm elections, the Republicans' predicted 20-30 seat pick up in the House melted away into losses. Why? The anti-big goverent agenda was abandoned and conservative voters stayed home .

Republican leaders have already begun to capiurrate to the Clinton leftist agenda The minimum wage will be raised for almost no meaningful concessions on the part of the Democrats .There is also talk of pre emptive political sCender on a lousy and costly health care bill of rights agenda that will mostly benefit trial lawyers and will only add to the cost of medical care in the United States. Expect beefy increases in the budgets for the National Endowment for the tts the Legal Services Corp Goals 2000 and the Education Department Even the Internal Revenue Seurtice is slated for a big budget boost. The House leadership noE says they are wolned about the adverse political ramifications of failing to enact a prescription Ng benefit So Ae may get a neS multibillion Lollar entitlement on Election Eve as well.

What's going on here? There's certainly a strong case for closing down congressional business as quicDy as possible in the weeks Read .A short session would give incumbent hiepublicans plenty of time to go back to their districts and campaign. But if they give away the store this fall, the question becomes: Campaign on whatth Republicans can t fun this November if Artey seem to favor of buying voters a Volkswagen when the Democrats want the public to have a druexus

Almost one-half trillion dollars has been larded onto the budget since the Republican "Contract with America" days. Bill Clinton and Al Gore have instigated most of this spArt in government spending Yet over the past three years Republicans have actually spent some $25 billion more on social programs than the White Housd originally requested; this year Congress may outspend the Clinton-Gore team yet again. V fact, a just released study by my colleague Steve Slivinski and me, finds that the 106th Congress is on pace to raise social spending by more money in real terms than any Congress since the late 1970s when Jimmy Carter occupied the Oval Ofuce.

Back in 1995, Republicans vowed to end the kinds of counterproductive social programs that have been rotting in the budget -in some cases for decades. Back then the klture lifespff of the National Endowment for the fus education ahnding, the school lunch program, and Ttul shows like' Sesame Street on public broadcasting seemed seriously in doubt. But not only have almost all of these programs beeAD issued a new lease on life most are prospeWhg as never before. Since 1996 not a single federal program of any fiscal consequence has actually been eliminated. Not one.

The Education Department budget has soared by more than 35 percent since 1996. That's the biggest four-year increase in the department since Jimmy Carter created it as a favor to the teachers' unions. It will grow by another 5-10 percent this year. Not only that, Republicans now list funding of education programs beyond even Bill Clinton's requests as one of their "accomplishments."

The federal government has become a cluttered closet full of obsolete agencies started in the New Deal and the Great Society but never tossed away. The voters need to be reminded of all the inept ways that Washington is spending their money. One of the few GOP stars here is Rep. Pete Hoekstra, Michigan Republican, who publishes a monthly Tale of Bureaucracy with easily digestible horror stories of how Washington is misspending our tax dollars. Mr. Hoekstra's reports show that most federal agencies cannot pass a simply audit - a requirement for all private firms -and that dozens of agencies have tens of billions of tax dollars unaccounted for by the bureau heads.

Republicans should not retreat from the budget battlefield. They should fight Bill Clinton, Al Gore and Dick Gephardt on the budget over every extra dollar they want to spend. We're approaching a $2 trillion federal budget. How much is enough? Republicans can't win in November if they have surrendered the claim of being the anti-big government party. They can win if they define Al Gore Democrats as the enemies of continued prosperity and balanced budgets.

If "compassionate conservative" Republicans try to match dollar for dollar Democrat spending initiatives, Messrs. Gephardt and Daschle will continuously ratchet up their demands in any fiscal bidding war. This is as futile an exercise as Wiley Coyote trying to blow up the Road Runner. It never happens. We already see the White House and congressional Democrats becoming more intransigent in their demands with the weak-kneed Republicans.

Funding the left wing's wish list of federal priorities is no way to persuade American workers that Republicans deserve to retain their jobs this November. When Republicans have won their most resounding victories - the 1980 and 1994 elections come to mind - the party ran on an unflinching anti-nanny state platform. It's true that after years of prosperity and rising incomes Americans have grown more ambivalent about big government. But ambivalence should not be confused with support. Right now congressional Republicans are behaving as if they will accept a budget deal with Bill Clinton at any price. But be warned: That cost may be an Al Gore White House and a Dick Gephardt speakership. That's far too high a price to pay.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Illustration (color), NO CAPTION, By Kevin Kreneck/Los Angeles Times Syndicate

LOAD-DATE: September 10, 2000

The Washington Times

August 18, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A20

LENGTH: 831 words

HEADLINE: Grabbing for the gold won by others

BYLINE: Stephen Moore

BODY:
After watching the Democratic National Convention in Los Angeles, I was reminded of a famous quip by Mark Twain: First get your facts straight, then you can distort them all you like.

President Clinton took credit for a long wave of economic prosperity that began 10 years before he was elected and for a balanced budget that he fought tooth and nail to prevent after Republicans took control of Congress. To borrow a phrase from Joseph I. Lieberman: That's chutzpah. But if we undistort the economic facts, we find Mr. Clinton's story of the current prosperity parts company with the reality.

The National Bureau of Economic Research reports that we are now in the 18th year of one long wave of prosperity. The expansion officially began in 1982 with the supply side policies of Ronald Reagan.

The centerpiece of these pro-growth policies was tax-rate reductions. But the then-controversial departure from Keynsian limits to growth orthodoxy included sound money, deregulation, reductions in trade barriers and creating peace through victory in the Cold War. Michael Cox of the Dallas Federal Reserve Bank has found that over the past 200 months, since the Reagan prosperity began, the economy has been in recession just eight months, or just 4 percent of the time.

The bullish stock market began in 1982, not in 1992. Then, the Dow Jones hit its nadir at 800. Even the most wild-eyed optimist would never have guessed that Reaganomics would lead to a Dow-Jones of 11,000 by 2000.

The historical performance of the stock market provides other surprising revelations. Between 1993 and 2000 the Dow-Jones has soared from 3,200 to 11,000. But in the two years of the Clinton presidency when the Democrats controlled Congress, the Dow rose by just 600 points, whereas in the nearly six years since the November 1994 elections the Dow has risen by more than 6,000 points. In other words, more than 92 percent of the increase in asset values occurred after voters repudiated Clintonomics in the landmark election of 1994.

The interest-rate story also throws a curve ball into Mr. Clinton's revisionist history. As the table shows, interest rates and inflation began their long-term tumble in the early 1980s. In 1980, mortgage-interest rates hit the oppressive level of 20 percent, and the inflation rate rocketed to 11 percent. Since the early 1980s, inflation has fallen by roughly a half a percent per year to the current 2 percent to 3 percent range. Three Americans were responsible for this monetary success story: Mr. Reagan, Paul Volker and Alan Greenspan.

Nor is it true that Mr. Clinton's world-record tax increase in 1993 lowered interest rates, as the White House boasts. Actually, from 1993 through November 1994 (when Republicans won control of Congress), interest rates rose by 50 basis points.

It's pretty much the same story with the budget deficit. After two years of Clintonomics, we were still issuing $200 billion of new debt every year. In 1994, the budget deficit was cratered at $203 billion, and the Congressional Budget Office predicted that $200 billion deficits would afflict us well into the 21st century. After two years, Mr. Clinton's $500 billion tax increase failed to balance the budget or even reduce red ink by much.

What changed this gloomy financial outlook? The Republican balanced-budget plan in 1995 played a big role. In 1995, Republicans forced Mr. Clinton to accept a balanced budget despite two government shutdowns. The White House was forced to submit five budget plans until he grudgingly proposed a balanced budget. And those are "just the facts, ma'am."

To be sure, Mr. Clinton has presided over what has arguably been the most prosperous years in this century. He deserves some of the credit for this astonishingly resilient expansion. Where his policies have been most productive - for example, in promoting free-trade agreements, signing the Republican welfare reforms, cutting the capital gains tax and allowing Mr. Greenspan to smother the last remnants of inflation in the financial system - he has sensible followed the economically liberating path laid out by Mr. Reagan. His most dimwitted economic ideas - Hillary Rodham Clinton's health care plan and Robert Reich's fiscal stimulus plan in 1993 - were mercifully killed by Congress. That has surely been a big part of the secret of Mr. Clinton's success: being saved from himself.

But Republicans better shake off their overconfidence. If American voters go to the polls in November believing that the Clinton-Gore policies have created peace, prosperity and trillion dollar surpluses, Al Gore will be the next president no matter how charismatically challenged he is.

It's the Reagan economy stupid. The Bush team better start reminding voters of that reality, or they're going to be unemployed in a few months.

Stephen Moore is president of the Club for Growth and an adjunct fellow at the Cato Institute.

GRAPHIC: Chart, WHO SHOULD GET CREDIT FOR THE ECONOMY?, By The Washington Times

LOAD-DATE: August 18, 2000

The Washington Times

August 02, 2000, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A18

LENGTH: 629 words

HEADLINE: Whatever happened to Forbes?

BYLINE: Lawrence Kudlow/ **Stephen Moore**

BODY:
Back in March, not long after he dropped out of the Republican primaries for president, Steve Forbes met with George W. Bush. Mr. Forbes offered to help Mr. Bush in any and every way possible. Mr. Forbes and his conservative supporters helped squash Arizona Sen. John McCain's insurrection and secure the nomination for Mr. Bush. So why have the Bush people frozen Mr. Forbes out of the Republican National Convention and out of the campaign team?

Ever since the McCain threat ended, the Bush campaign has totally ignored Mr. Forbes. Mr. Forbes's gracious offer to help has never even been acknowledged. This is a mistake. Mr. Forbes is one of the great assets of the Republican Party. He is the most articulate spokesman for the economic-growth agenda in the conservative movement. He has a widespread following among the investor class, the Internet-wired population, and large and small business leaders. Yet he will be nowhere to be seen at the convention in Philadelphia - except for a Club for Growth event that he will speak at on the last day.

By locking out Mr. Forbes - a slap in the face to those of us who supported him in the primaries -the Bush people, especially their economic advisers, are exercising bad judgment. How can Elizabeth Dole be asked to speak at the convention, but not Mr. Forbes? Are the Bush people embarrassed by Mr. Forbes and his supporters? Are we liabilities? That wasn't the attitude of the Bush people back in March and April.

Mr. Forbes deserves a leading role at the convention and in the Bush campaign. He deserves it because - although he lost badly to Mr. Bush in the primaries - it was Mr. Forbes, more than any other candidate in both 1996 and 2000, who thrust the pro-growth agenda on a Republican Party that was still in the grasp of the Bob Dole austerity wing of the party. Mr. Forbes was the political godfather of flat-tax cuts, of private accounts for Social Security, of Medical Savings Accounts, of educational choice for parents.

Mr. Forbes is a national spokesmen for free trade and a strong dollar. Mr. Forbes has the capacity to rally the Reagan supply-side wing of the party in a way that no other Republican can. Mr. Bush smartly picked Richard B. Cheney as his running mate Mr. Cheney is second to none in his knowledge of foreign policy and national-security issues. Mr. Forbes is second to none on the prosperity issues. He's head and shoulders above anyone that Mr. Bush has working for him now on the economy. Mr. Bush needs Mr. Forbes's counsel and advice.

Mr. Bush must reach out to Mr. Forbes. Why not announce that Mr. Forbes will be the chairman of his economic team? Or make it known that he could be the Treasury secretary or head of his National Economics Commission (that Robert Rubin headed in Clinton's first term). This would electrify and unite the party at what is shaping up to be an otherwise business-as-usual four days in Philadelphia. Mr. Forbes is also the culturally conservative, free-trade, pro-growth antidote to Buchananism. But if the Bush campaign continues to freeze out Mr. Forbes, then his Reaganite supporters might just sit on their hands during the upcoming campaign.

This week the Republican theme in Philadelphia is unity. The party is advertising itself as "a big tent" that fits all the rival factions together. Mr. Bush has even embraced his main primary rival, Mr. McCain. Surely this big tent should be big enough to fit Forbes and his supply-side followers.

Steve Forbes is a great resource. Mr. Bush should put him to work -both in this campaign, and especially when he is in the White House.

Lawrence Kudlow is chief economist at ING Barings and Stephen Moore is president of Club for Growth.

GRAPHIC: Illustration, Steve Forbes, By Wright

LOAD-DATE: August 2, 2000

The Washington Times

July 20, 2000, Thursday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A18

LENGTH: 816 words

HEADLINE: Worm in the education apple

BYLINE: Stephen Moore

BODY:

There is an old joke about teachers that goes like this: What are the three best reasons for becoming a teacher? June, July and August.

Lately there has been a massive propaganda campaign about the inferior pay that teachers receive for their nine-month-a-year jobs. Earlier this month the National Education Association (NEA) held its national convention in Chicago where the union publicized a study indicating that teachers are paid $30,000 a year less than computer engineers and other professionals. Robert Reich recently moaned in his National Public Radio editorial that we are never going to get better schools until we start paying teachers more. And many fast-growing communities complain there is a severe shortage of competent teachers. The message is: If parents want school quality, they are going to have to pony up for it.

If only the solution to better schools were just that simple. It is not. Most public school teachers are not paid less than a market wage, but more. There is a competitive marketplace for teachers and it is called the private school system. And guess what? Private school teachers are generally paid about 30 percent less - yes, less - than what their public school counterparts earn. In the Chicago area, Catholic school teachers are sometimes paid only half what the public school teachers earn. Yet, every objective testing measure on student performance indicates that private school teachers do a better job than public school teachers. Ahh, but the public school teachers complain the comparison is unfair. Private schools have other advantages, including the fact they can impose discipline, they can expel problem kids, and they have parents who are more engaged. True enough, but this only reinforces the point that teacher pay is mostly irrelevant when it comes to improving schools; it's these other factors that are critical to academic excellence.

Even if we examine just the performance of the public schools across the states, we find teacher pay is totally unrelated to student performance.

* North Dakota ranks 44th in per pupil expenditures, 49th in teacher salaries, and in the bottom ten of every measure of spending. But it ranks in the top five in almost all measures of student performance.

* South Dakota ranks dead last in teacher salaries. It ranks third in SAT scores.

* New Jersey spends twice what Utah does on schools and yet New Jersey ranks in the bottom 12 in test scores and dropout rates among the states, while Utah ranks in the top five in these achievement categories.

The problem with our schools is not teacher pay, it's the heavy hand of the unions. Today there are more than 4 million unionized teachers, 2.5 million of whom are members of the NEA. In 1960, only 20 percent of teachers were unionized - now 80 percent are. Back then public schools worked. Today a lot don't.

Nearly every meaningful school reform measure has been rejected over the years by the unions: teacher competency testing, true pay for performance, the abolition of tenure, vouchers, tuition tax credits, allowing professionals in other occupations to teach part time, and other promising experiments. Because of the job-for-life laws in most states, Jeanne Allen of the Center for Education Reform reports that "in New York it can cost up to $200,000 to dismiss a teacher who is incompetent."

Ironically, at the same time the teachers are complaining about being woefully underpaid, they somehow found the discretionary income to afford to raise their union dues this year so they can raise more money to defeat Republican candidates in November. (Helping the Democrats take back control of the House of Representatives is a top NEA priority.) The NEA collects more than $250 million a year in dues from its "underpaid" clients. Big chunks of this money is diverted to promoting political causes - including abortion rights, gun control, national health care, and racial quotas - many of which have little to do with education. In August the teachers unions are expected to send more delegates to the Democratic Convention than any other special interest group. What makes this union especially insidious is that it is willing to hold our nation's 6-year-olds political hostage to achieve its self-serving agenda of higher pay.

More money for teachers won't buy better schools. What it will buy is more NEA funding for political causes, including opposition to parental choice reforms that would actually mean more competition and better schools. No wonder Forbes Magazine once described the teachers unions as "the worm in the education apple." Until parents have total control over where they send their kids to school, and who teaches them, teacher pay raises simply further entrench a system that is failing our children.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Cartoon, NO CAPTION, By Asay/Colorado Springs Gazette Telegraph (Creator's Syndicate Inc. 2000)

LOAD-DATE: July 20, 2000

The Washington Times

June 26, 2000, Monday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 1025 words

HEADLINE: Defeating class warfare

BYLINE: Stephen Moore

BODY:

I think it's so irritating that once I die, 55 percent of my money goes to the United States Government.

- Oprah Winfrey

June 9 witnessed one of the most stunning votes on the House floor in many years. The U.S. House of Representatives voted to phase out the death tax. Not to trim it; but to stick a stake through the heart of this destroyer of wealth and family legacies.

The death tax, of course, has long been beloved by the class warfare lobby on the left as Washington's ultimate income redistribution tool. Only the rich pay the death tax, they insist. Wall Street Journal columnist Al Hunt moaned last week that this is a tax that hits "only the sons and daughters of the elite-never the working class." In predictable fashion, liberal think tanks including the Center on Budget and Policy Priorities protested that the richest 1 percent of American families would receive at least three-quarters of the benefit. David Broder of The Washington Post sneered: "Congressional Republicans structure a **$50 billion bonanza to the heirs of Bill Gates and other newly minted millionaires. At the same time, they block modest workplace reforms, delay an increase in the minimum wage, and drag their feet on a patient bill of rights." And that was one of the tamer outbursts.**

Yet despite the indignation, the left was not just defeated on this issue. They were trounced. The bill passed with unanimous Republican support - not a single liberal Northeast Republican bolted. Even more astounding, 65 Democrats voted Aye. The House now has a veto-proof majority to terminate a 75-year-old tax that robs the grave of Americans and forces the family divestiture of farms and businesses.

The Senate should now follow the House's lead. The momentum is with the tax slayers. The vote in the House demonstrates this is not just the moral thing to do; it is the politically popular thing to do.

How can this be? After all, we have been told for the better part of the past 18 months by pollsters and pundits that Americans don't want tax cuts. Answer: the pundits were wrong. What is even more discombobulating to the Washington pinheads is how Joe Sixpack could support "tax breaks for the rich."

But the class warfare argument fell flat on its face. Even several liberal Democrats like Hawaii's Rep. Neil Abercrombie, supported the repeal. Mr. Abercrombie explained his vote by noting: "I'm hearing more complaints about the death tax from my constituents than I did on the China trade vote." Stop the presses. Joe Lunch-bucket wants the death tax ended.

Again, the question is why? I think I can explain the answer. Several years ago I sat in on a focus group meeting on the death tax. About 25 working-class Americans - these were anything but rich fat cats - were asked to express their views on this issue. To my amazement, about 3 in 4 said they believed the death tax was unfair.

Even when it was explaiued to these workers again and again that very few of the people in that room would ever pay the death tax themselves, they reiterated even more forcefully that it's not a fair tax, regardless of who pays it. These Americans instinctively understood that when Bill Gates, or Oprah Winfrey or Michael Jordan die with their billions of dollars of assets, that wealth and savings already has been taxed. Up to half of it was taxed when it was earned. Stop the injustice of taxing it twice, was the retort of these fair-minded Americans.

As you can imagine, this was music to my ears. Teachers and construction workers and computer engineers can grasp a concept -double taxation - that Dick Gephardt and Tom Daschle are hopelessly uneducable on.

I discovered at this meeting that Americans hate the death tax for another more deeply ingrained reason. Most voters just don't have that reflexive hatred for the rich and the successful that the class warriors do. Meution John Walton, Bill Gates, Warren Buffet or Britney Spears and these middle class folks sparkle with admiration for what these fabulously rich Americans have accomplished. While most Washington pundits obsess all day and night about how unfair it is that some people own yachts and Rolls Royces, normal Americans, when they think about yachts at all, are scheming in their minds about how they can get one someday for themselves. (Whyelse would the book "The Millionaire Next Door" be such a mega-seller?)

One thing Americans love about America is that this is the globe's one true meritocracy. Yes, Americans are compassionate (here George W. Bush is right on the mark). They want a system that doesn't leave people behind. They are absolutely insistent about a safety net. But they innately disapprove of a tax system that erases the rewards of success, virtue and hard work. They reject the income redistributionist mindset that a bigger slice of the pie for Bill Gates means a smaller slice for themselves. They disapprove of the death tax, strangely enough, because they think it is by its very design and intent, un-American.

And here we have, wonderfully, the fairness issue turned right on its head. What Rep. Dick Gephardt, Missouri Democrat, no doubt views as the fairest tax of all is viewed by his constituents as the most immoral tax.

One last point. Yes, the Center on Budget and Policy Priorities is right that based on current wealth holdings, more than 90 percent of Americans would never be impaeted by the death tax. But as more and more Americans become owners and shareholders, the tax will start to bite even modestly successful ranchers, farmers, businessmen and investors. The concept that eludes the class warfare crowd is that Americans are dreamers and achievers. Most Americans think they themselves could be as rich as Oprah. This is the very essence of the Ameircan dream. They aspire to a level of affluence that only in America can ordinary people achieve.

And when their ship comes in, these ordinary Americans shudder at the idea that half of it is going to be snatched away by their friends at the Internal Revenue Service.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Illustration, NO CAPTION, By Bob Newman/Los Angeles Times Syndicate

LOAD-DATE: June 26, 2000

The Washington Times

May 10, 2000, Wednesday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A17

LENGTH: 1245 words

HEADLINE: Bold deal for Social Security

BYLINE: Stephen Moore

2704172851

BODY:
Score one for George W. Bush.

On Monday the Texas governor took a major step forward in rallying the support of economic conservatives across the country with his bold proposal to partially privatize the Social Security system. By announcing his plan to allow workers to place a portion of payroll tax dollars in privately owned investment accounts, Mr. Bush also starkly differentiated himself from Vice President Al Gore, who advocates no changes to the current system. On this crucial issue of pension reform, it is now George W. Bush who is boldly attempting to design a modern 21st century retirement system, while Mr. Gore is tied to preserving a financially wobbly program that was originally designed back in the 1930s by Franklin Roosevelt.

As impressive as Mr. Bush's privatization proposal was, the governor's skillful and articulate defense of it in the wake of predictable liberal media criticism. This is ultimately an issue about who should control workers' retirement dollars. The paternalist Al Gore says it should be the government. Mr. Bush rightly favors trusting workers to make wise decisions with their own money. And he is right on message here. The winner of this crucial election will be the candidate who reaches out to the burgeoning new investor class/ internet savvy voters - which includes 80 million to 100 million Americans today. With more than half of all workers now owning stocks, Americans are fully capable of making their own financial decisions. It is highly insulting to our intelligence when Al Gore patronizingly pats us on the head and tells us we are not capable of making these decisions for ourselves.

The Democratic establishment refuses to acknowledge that the pay-as-you-go funding of Social Security will lead to financial turmoil within the next 20 years if innovative changes are not made today. The long-term unfunded liability of Social Security is a Mount Everest-sized $5 trillion to $10 trillion of red ink, a much larger financial black hole than even the national debt. If workers were permitted to place at least a portion of the 15 percent payroll tax into IRA-type accounts, that they personally own, they could tap into the magical power of compound interest - which Albert Einstein once labeled "the most powerful force in the universe." My strong preference would be to move toward a complete and immediate privatization of the whole system, not a partial plan. Nonetheless, George W. Bush deserves a chorus of applause from conservatives for being the first-ever presidential nominee of the two major parties to call for liberating Baby Boomers and Generation X workers from a system that robs them of their financial future.

The rate of return on Social Security these days is about 2 percent per year. Think about that from an investment standpoint. If your bank, mutual fund or investment adviser were earning just 2 percent a year on your savings, you would no doubt fire them in a nanosecond for gross incompetence. So why do we tolerate that kind of return from Social Security? If a middle-age worker - man or woman -younger than 30 were permitted to invest his or her payroll tax dollars in a safe, diversified mutual fund account, and that account earned 6 percent per year, which is below the historical average for the financial markets, the worker would have more than $1 million in a retirement nest egg at the age of 65. That nest egg would pay a monthly annuity payment, not 2, not 3, but 4 times higher than the benefit promised from Social Security.

Mr. Bush seems to have a keen eye for the politics of this issue. Young voters have deep skepticism about a retirement program that sends their dollars to Washington for supposed safekeeping. A Cato Institute survey found last year that 18- to 30-year-olds think it is more likely they will see a UFO (43 percent) than a Social Security check (28 percent) during their lifetime. The idea of being able to personally invest some or all of these dollars is obviously a highly attractive option for this Internet generation. Among the under-40 age group about two-thirds strongly support privatization.

Most of Mr. Gore's response to the Bush plan was characteristically feeble, untruthful and a further indication of a shallow mind at work. For example, the vice president argued that the poor, minorities and women would suffer. That is dead wrong. Studies by the Cato Institute have proven it is black Americans - particularly black men - who get the worst rate of return from Social Security of any group. Black American males have much lower life expectancies - 66 on average - than white men and women. This means that black men often die right at the time they would be eligible to receive the benefits they spent a lifetime paying for. Under a privatized plan, they could leave their retirement savings to their spouses and children.

The Bush program would also empower millions of working-class Americans to become owners of stocks and bonds for the first time in their lives. They would, in short, move out of the dependency class and into the shareholder class. Ownership is the fastest way to get rich in America. Social Security taxes are so high today that many working families don't have after-tax dollars to invest after paying the payroll tax. Working women, by the way, with a husband who works, get the worst deal of all from Social Security.

Mr. Gore charges that privatization would hurt the economy. This is the most absurd allegation of all. A recent study by economist Martin Feldstein, president of the National Bureau of Economic Research calculates that the gains to the American economy from privatizing Social Security would be in the trillions of dollars. When other nations, such as Chile, have moved toward private Social Security systems, their economies flourished, their savings rates soared, and worker incomes rose rapidly.

It is also noteworthy that many leading Democrats, including Sen. Robert Kerrey of Nebraska, have wholeheartedly embraced the privatization option. Mr. Kerrey says Democrats who oppose this form of worker capitalism are patronizing the poor "whose interests our party is supposed to represent." Are you listening Al? The Democratic Leadership Council has also endorsed at least a partial privatization of Social Security. So just how risky and controversial can this plan be?

George W. Bush has shown an annoying tendency at times to sound more like a Clinton Democrat than a Reagan Republican, as evidenced by his litany of new spending initiatives unveiled in recent months. I have been as critical of Mr. Bush as anyone for this. But on the two issues that perhaps matter most to the future economic well-being of our nation, taxes and Social Security, Mr. Bush has admirably defined himself as a bold, original thinker. Al Gore meanwhile remains a captive of a status quo mindset. When it comes to retirement income and budget surpluses, Mr. Gore's inclination is to trust government with the money, Mr. Bush's is to trust us with our own money.

Mr. Gore says the Social Security issue now is "one of the starkest differences of opinion in this campaign." For once, he is telling the truth. Mr. Bush wants a new deal for Social Security. Mr. Gore would continue with the current rotten deal. Yes, a stark difference indeed.

Stephen Moore is president of the Club for Growth.

GRAPHIC: Illustration, NO CAPTION, By Bob Neuman/Los Angeles Syndicate

LOAD-DATE: May 10, 2000

LexisNexis™ Academic

axarch 08, 2000, Wednesday, Final rndition

SECTION: PART A; COMMENTrmY ;Pg .A16

LENGTH: 839 words

HEADLINrum Desperately seeking an agenda

BYLINE: Stephen Moore

BODY:

How many times do Republicans have to relearn the lesson that when they abandon their consetative/libertarian bloc of voters they do not expand their base, that it evaporates? The political grave yard is full of contemporun examples. Gerald Ford. George Bush. Bob Dole. The Republicans in Congress in 1998. All remmeated from the tt cuttinttlimited government theme of the GOP and got punished at the polls.

Undeterred by history, Republican campaign strategists want to dust off this play book one more time for Campaign 2000. It trll almost assuredly yield the same tunappy returns .

I recently asked a leading Republican consultant what the oveśding themes will likely be for this November s' congressional elections. What will qive impassioned voters to the polls?.The answer :money and moderation Money : Raise as much of it as possible. Moderation: Run to the 50-yard line on the political playing field and camp out there.

The Republicans' uninspiring "to do" list reflects Es attitude Senate Republicans now have the following priorities for 200Z- increasing the 1997 budget caps, spending a lot more on education, expanding Medicare coverage, retiring the national debt, "saving Social Security" and raising the minimum wage. President Clinton and Vice President Al Gore could and should sue the GOP for plagiarism. Meanwhile, tax reform, Social Security privatization, elimination of federal programs have all been elbowed off the negotiating table.

JoD McCain s' improbable upsets of George W Bush in some early primaries - cTing essentially a Eemocratic message - is drquestionably one ryiving force behind this new tactic of making nice with big government. Mr. McCain's capacity to aryract independent minded" Perotista' voters and even some conservative Democrats has Republican leaders salivating as if they were frat boys watching scantily clad Jennifer Lopez saunter onto the stage during the GrMys .

Seemingly evegy talking head in Washington agrees that voters- even Republican voters- don't want tax cuts and don't wantlli 'risky schemes for Social Security Fothier Clinton Democratic political guru Paul Begala recently dismissed tax cuts as "so 1980s-ish." And so it is that to hold on to the House and Senate, the Republican brain trust - and aryor has it that there really is one - has decreed that Reagan-like tax cuts are out. Eisearryower style debt retirement is in

Not so fast. A just-released Oogby poll of 1,000 registered Republican voters sugdrests that nhs is a dingbat stratehn The poll, sponsored by the Club for GroAR, should be read and memorized by evewth aspiring Republican office seeker. The results verify the lessons of recent history: If the GOP de-emphasizes its core cluster of growth issues, its conservative base will unhe out and stay home One g/uestion asked

How likely would you be to turn out to vote in the 2000 elections if the Republican congressional candidate supported simplifying the current IRS tax system?

Eighty-two percent responded very likely; 11 percent somewhat likely. Only 3 percent said not likely.

A second question asked:

How likely would you be to turn out to vote in the 2000 elections if the Republican congressional candidates supported allowing workers to place some or all of their payroll tax dollars into an individual retirement account?

Two-thirds said they would be "very likely" to turn out to vote for the candidate. Only 7 percent said "not likely."

Here's the problem. When is the last time Republicans spoke about the flat tax? The national sales tax? Why after five years of Republican control of Congress has the idea of allowing workers to place at least a portion of payroll tax dollars into personal IRAs not even come up for a vote? Someone needs to knock Trent Lott and Denny Hastert's heads together and remind them that a Social Security "lock-box" is a clever gimmick, but is no substitute for a privately owned, fully funded retirement system. Similarly, eliminating the marriage penalty is a nice start, but it doesn't make the tax code any less convoluted and it doesn't get the IRS out of our faces.

The 1998 elections were a debacle for Republicans primarily because after spending months busting the bank on the budget for bloated highway bills and Clintonite social programs, dispirited conservative and libertarian Republican voters had no compelling motivation to go to the polls. And so they didn't, The GOP actually lost the vote of Americans with incomes of more than $75,000 a year. Predicted Republican gains vaporized and Republican majorities narrowed some more.

Given the widespread mood of voter contentment around the country, the GOP may not be able to win with its traditional pro-growth, anti-big government agenda. But the Club for Growth poll indicates they don't have a snowball's chance in hell of winning without it.

Stephen Moore is director of fiscal policy studies at the Cato Institute and the president of the Club for Growth.

GRAPHIC: Cartoon, NO CAPTION, By Schwadron

LOAD-DATE: March 8, 2000

2704172854

The Washington Times

January 14, 2000, Friday, Final Edition

SECTION: PART A; COMMENTARY; Pg. A16

LENGTH: 974 words

HEADLINE: Freedom's assets

BYLINE: Stephen Moore

BODY:
A recent report by the Commerce Department indicates what many workers, investors and consumers already knew instinctively: the American economy has been growing in this decade a lot faster than first thought.

The upward revision in economic growth also means Uncle Sam's share of the total economy is shrinking. This is despite much of the irresponsible spending enacted by President Clinton and the Republican Congress that I and others have railed against for years.

In 1991, federal spending as a share of GDP hit 23 percent. In 1999, it fell below 20 percent for the first time since 1974. Moreover, this year federal spending might fall below 19 percent of GDP, which will be the lowest level since President Lyndon Johnson's Great Society was launched in 1965.

Milton Friedman has reminded us over the years that "the true cost of government is how much it spends." Modern governments can best be thought of as a toll imposed on private-sector wealth-creating activity. Over the past 15 years that charge at the federal toll booth has fallen from almost 24 cents to about 19 cents on the dollar (see chart).

This is hardly a call for retreating from the privatize and downsize government activities. There is still huge progress to be made in restoring government to its constitutional and economically optimal size. A recent booklet by the Institute for Policy Innovation on the growth of government shows that back at the start of this century the federal toll was less than 5 cents on the dollar. By my calculations, the historical average federal share of the economy was about 8 percent to 10 percent. So despite the recent progress, the federal government is still twice as big as it should be.

Moreover, overall spending isn't falling at all. Over the past four years, the federal budget has expanded by more than $200 billion - during a time of peace and prosperity. Bill Clinton's last budget had more than $150 billion in new spending requests over five years. The Republicans have made a habit of late of spending more money than even Mr. Clinton has requested.

The major factor behind the government's retreat is that the private economy has been surging over the past 18 years. It appears that Ronald Reagan, Arthur Laffer and Jack Kemp saw the future with more clarity than anyone else in Washington: the American miracle economy is outgrowing the budget, rendering it gradually more inconsequential over time. This is a phenomenon that CNBC economist Lawrence Kudlow has described as "growing the denominator." So even though the federal budget is now about 140 percent more obese than it was in 1982 when this record 18-year Reagan expansion (1982-99) began, the U.S. GDP has increased by an even more robust 185 percent.

With the right constellation of freedom and growth policies custom-designed for the high-tech, investor class age, the next president could very conceivably shrink the federal toll to between 10 cents and 15 cents on the dollar. Considering that the government toll charged in the still socialist or "third way" European economies falls in the 30 cents to 40 cents per dollar range, a 10 percent to 15 percent federal burden in the United States would create for American workers and firms an insurmountable comparative advantage in the global economy. That giant sucking sound would be trillions of dollars of investment capital from every corner of the globe pouring over the borders into the United States.

To get government down to between 10 percent and 15 percent of GDP by 2005 will require modest fiscal disciplinary measures to slow federal spending. We should immediately shut down the Commerce or Energy Departments, for example. We should finally pull the United States out of failed and corrupt institutions like the International Monetary Fund and World Bank. The private sector should take over activities like legal services for the poor, public broadcasting, space exploration, medical research, and making bank loans to small and minority-owned businesses.

Equally important, a prosperity agenda aimed at maintaining growth in the 3 percent to 4 percent range is imperative to shrinking government's influence. Here Republicans in Congress need only plagiarize Steve Forbes' bold economic playbook. Forbes proposals include: personalized accounts for Social Security, a postcard 17 percent flat tax, medical savings accounts as an alternative to government-run health care, a U.S. policy of expanded free trade, school choice for all children, and an iron-clad commitment to keep the internet forever tax and regulation free. All these together would virtually guarantee accelerated growth.

Skeptics will say we are simply living through a temporary pause in the relentless growth of government. They may ultimately be right. When Baby Boomers start signing up for Medicare and Social Security in about a decade, federal expenditures could easily double as a share of GDP. This makes it all the more imperative that we shrink government now, and find private sector alternatives to socialism for senior citizens.

We are now living in an global era aptly described by Walter Wriston as "the twilight of sovereignty." Even Bill Clinton's own "new Democrat" budget envisions federal spending dwindling down to 18 percent of GDP within the next five years. If congressional Republicans get back to promoting a genuine platform of freedom and limited government, we can even do better than that.

Stephen Moore is director of fiscal policy studies at the Cato Institute and president of the Club for Growth.

****CHART

GOVERNMENT IN RETREAT

Federal Spending as share of Gross Domestic Product.

2000 - 19.3%

1999 - 19.5%

1998 - 20%

1997 - 20%

1996 - 20.5%

1995 - 21%

1994 - 21.5%

1993 - 22%

1992 - 22.5%

1991 - 23%

GRAPHIC: Chart, GOVERNMENT IN RETREAT, By The Washington Times

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